CAJAS RURALES UNIDAS
SOCIEDAD COOPERATIVA DE CRÉDITO
AND ENTITIES OF GRUPO CAJAS RURALES UNIDAS
(GRUPO COOPERATIVO CAJAS RURALES UNIDAS)

Consolidated Annual Accounts and Consolidated Management Report

Year 2013

GRUPO
COOPERATIVO
CAJAMAR

CAJAS RURALES UNIDAS, SOCIEDAD COOPERATIVA DE CRÉDITO

Auditor´s report, consolidated annual accounts
and consolidated directors´ report
at 31 December 2013

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 THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito:

1. We have audited the consolidated annual accounts of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (the Parent Company) and associate entities (the Group), consisting of the consolidated balance sheet at 31 December 2012, 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. The Parent Company's Directors are responsible for the preparation of these consolidated annual accounts in accordance with the financial reporting framework adopted by the European Union (IFRS-UE), and other dispositions of the applicable financial reporting framework. 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 2013 present fairly, in all material respects, the consolidated financial position of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and associated entities at 31 December 2013 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 dispositions of the applicable financial reporting framework.

3. Without affecting our opinon, we draw your attention to Note 1.5 of the accompanying consolidated annual accounts, indicating that the parent company's directors have recognised the definitive values of the identifiable assets and liabilities acquired on the business combination of the merger of Caja Rural del Mediterráneo —Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Credito, which resulted in Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, effective 1 November 2012, date on which the acquisition of the aforementioned entity took place. The parent company's directors have restated the previous year's comparative figures which therefore differ from those contained in the consolidated annual accounts for that year. The differences are detailed in Note 4 to the accompanying consolidated annual accounts.

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4. The accompanying consolidated directors' report for 2012 contains the explanations which the Directors of the Parent Company consider appropriate regarding the situation of the Group, 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 2013. 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 Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and associate entities.

PricewaterhouseCoopers Auditores, S.L.

Raúl Ara Navarro
Partner

9 April 2014

CAJAS RURALES UNIDAS SOCIEDAD COOPERATIVA DE CRÉDITO
AND ENTITIES FORMING GRUPO CAJAS RURALES UNIDAS
Consolidated balance sheets as at 31 December 2013 and 2012

Assets

	Thousands of euros	
	2013	**2012 (*)**
Cash and balances with central banks	**498,759**	**366,434**
Financial liabilities held for trading	**607**	**2,949**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt securities	-	493
Equity instruments	109	176
Trading derivatives	498	2,280
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	**19,136**	**1,070**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	17,950	-
Debt securities	1,186	1,003
Equity instruments	-	67
Memorandum item: Loaned or advanced as collateral	-	-
Available-for-sale financial assets	**3,208,204**	**1,363,057**
Debt securities	3,080,973	1,224,873
Equity instruments	127,231	138,184
Memorandum item: Loaned or advanced as collateral	*2,430,170*	*839,249*
Loans and receivables	**34,530,994**	**35,534,027**
Loans and advances to credit institutions	483,381	1,505,492
Loans and advances to other debtors	34,047,613	34,028,535
Debt securities	-	-
Memorandum item: Loaned or advanced as collateral	*16,110,616*	*15,174,328*
Held-to-maturity investments	**38,741**	**1,971,969**
Memorandum item: Loaned or advanced as collateral	*19,039*	*1,590,905*
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**127,043**	**192,657**
Non-current assets held for sale	**394,448**	**392,296**
Investments	**54,633**	**61,734**
Associates	54,633	61,734
Jointly controlled entities	**-**	**-**
Insurance contracts linked to pensions	**-**	**-**
Reinsurance assets	**-**	**-**
Tangible assets	**887,759**	**907,179**
Tangible fixed assets	715,379	771,869
For own use	*707,258*	*763,210*
Leased out under an operating lease	-	-
Assigned to the Education and Development Fund	*8,121*	*8,659*
Investment properties	172,380	135,308
Memorandum item: Acquired under a finance lease	**-**	**-**
Intangible assets	**336,058**	**360,315**
Goodwill	122,390	122,391
Other Intangible assets	213,668	237,924
Tax assets	**923,975**	**937,824**
Current	28,396	28,057
Deferred	895,579	909,767
Other assets	**1,084,111**	**1,043,818**
Inventories	995,912	858,349
Other	88,198	185,469
TOTAL ASSETS	**42,104,468**	**43,135,329**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Liabilities

	Thousands of euros 2013	Thousands of euros 2012 (*)
Financial liabilities held for trading	**58,258**	**69,777**
Deposits from central banks	**-**	**-**
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	58,258	69,777
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	**38,797,639**	**39,879,724**
Deposits from central banks	4,665,282	5,139,984
Deposits from credit institutions	2,521,801	2,696,039
Deposits from other creditors	29,106,828	29,854,729
Debt certificates including bonds	2,018,996	1,582,689
Subordinated liabilities	127,019	139,278
Other financial liabilities	357,714	467,005
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	**7,251**	**9,898**
Liabilities associated with non-current assets held for sale	-	-
Liabilities under insurance contract	**-**	**-**
Provisions	**105,431**	**191,348**
Provisions for pensions and similar obligations	13,008	18,566
Provisions for taxes and other legal contingencies	-	1,536
Provisions for contingent exposures and commitments	16,700	13,012
Other Provisions	75,723	158,234
Tax liabilities	**116,710**	**142,283**
Current	17,556	25,081
Deferred	99,154	117,202
Education and Development Fund	**14,204**	**15,680**
Other liabilities	**227,874**	**334,241**
Capital having the nature of a financial liability	**-**	**-**
TOTAL LIABILITIES	**39,327,368**	**40,642,951**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Equity

	Thousands of euros	
	2013	**2012 (*)**
Own funds	**2,766,706**	**2,504,472**
Capital or endownment fund	2,315,833	2,003,748
Issued	2,315,833	2,003,748
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves:	418,256	1,377,049
Accumulated reserves (losses)	412,218	1,380,235
Reserves (losses) in entities accounted for by the equity method	6,038	(3,186)
Associates	6,038	(3,186)
Jointly controlled entities	-	-
Other Equity instruments	25,464	75,679
Equity component of compound financial instruments	-	-
Non-voting equity units and associated funds	-	-
Other equity instruments	25,464	75,679
Less: Treasury shares	-	-
Profit for the period attributed to parent	82,881	(938,506)
Less: Dividend and remuneration	(75,728)	(13,498)
Valuation adjustments	**9,775**	**(12,929)**
Available-for-sale financial assets	8,373	(12,756)
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	1,402	(173)
Other valuation adjustments	-	-
Minority interest	**620**	**835**
TOTAL EQUITY	**2,777,101**	**2,492,378**
TOTAL LIABILITIES AND EQUITY	**42,104,468**	**43,135,329**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Memorandum Accounts

	Thousands of euros	
	2013	**2012**
MEMORANDUM ITEM		
Contingent exposures	**744.495**	**1.463.308**
Contingent commitments	**1.702.052**	**2.068.719**
TOTAL MEMORANDUM ACCOUNTS	**2.446.547**	**3.532.027**

Consolidated Income Statements

	Thousands of euros	
	2013	**2012 (*)**
Interest and similar income	**1,179,728**	**1,138,337**
Interest expense and similar charges	**(554,033)**	**(570,629)**
Remuneration of capital having the nature of a financial liability	**-**	**-**
A) NET INTEREST INCOME	**625,695**	**567,708**
Return in equity instruments	**2,503**	**2,157**
Share of profit or loss of the entities accounted for using the equity method	**9,386**	**9,601**
Fee and comission income	**295,477**	**183,337**
Fee and comission expense	**(25,590)**	**(30,196)**
Gains or losses on financial assets and liabilities (net)	**234,823**	**86,231**
Financial liabilities held for trading	9,859	(12,914)
Other financial instruments at fair value through profit or loss	15,915	(96)
Financial instruments not at fair value through profit and loss	183,069	91,812
Other	25,980	7,428
Exchange differences (net)	**1,795**	**2,118**
Other operating income	**38,394**	**50,805**
Insurance and reinsurance premium income	-	-
Sales and income from the provisions of non-financial services	16,843	34,662
Other operating income	21,551	16,142
Other operating expenses	**(74,949)**	**(109,172)**
Insurance and reinsurance premums paid	-	-
Variation in inventories	9,142	(39,902)
Other operating expenses	(84,091)	(69,270)
B) GROSS INCOME	**1,107,534**	**762,587**
Administrative expenses	**(481,234)**	**(377,479)**
Personnel expenses	(344,921)	(276,908)
Other administrative expenses	(136,313)	(100,571)
Depreciation and amortisation	**(81,678)**	**(50,622)**
Provisioning expenses (net)	**(92,439)**	**(77,380)**
Impairment losses on financial assets (net)	**(269,420)**	**(1,173,795)**
Loans and receivables	(258,599)	(1,154,361)
Financial instruments not at fair value through profit and loss	(10,821)	(19,434)
C) NET OPERATING INCOME	**182,763**	**(916,690)**
Impairment losses on other assets (net)	**(101,359)**	**(308,473)**
Goodwill and other intangible assets	(496)	(13,959)
Other assets	(100,863)	(294,514)
Gain (losses) on non-current assets held for sale not classified as discontinued operations	**5,446**	**(9,982)**
Negative difference on business combinations	**-**	**-**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(18,040)**	**(42,741)**
D) PROFIT BEFORE TAX	**68,810**	**(1,277,886)**
Income tax	**14,429**	**343,328**
Mandatory transfer to Education and Development Fund	**(486)**	**(4,040)**
E) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**82,753**	**(938,598)**
Profit or loss from discontinued operations (net)	**-**	**-**
F) CONSOLIDATED PROFIT FOR THE PERIOD	**82,753**	**(938,598)**
Profit attributed to parent	82,880	(938,507)
Profit attributed to minority interest	(127)	(91)

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Consolidated Statements of Recognized Income and Expenses

	Thousands of euros	
	2013	**2012 (*)**
A) CONSOLIDATED PROFIT FOR THE PERIOD	**82,753**	**(938,598)**
B) OTHER RECOGNISED INCOME AND EXPENSES	**23,000**	**2,313**
B.1) Items that will not be relcassified to income	295	-
Actuarial gains and losses in pension plans to defined benefit	402	-
Non-current assets held for sale	-	-
Entities accounted for by the equity method	-	-
Income tax related to items that will not be reclassified to income	(107)	-
B.2) Items that may be reclassified to income	22,705	2,313
Available-for-sale financial assets	28,428	1,730
Revaluation gains/losses	192,803	62,788
Amounts transferred to income statement	(164,375)	(61,058)
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	-	-
Entities accounted for by the equity method	1,576	1,147
Revaluation gains/losses	1,576	1,147
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Other recognised income and expenses	-	-
Income tax	(7,299)	(564)
C) TOTAL RECOGNISED INCOME AND EXPENSES	**105,753**	**(936,285)**
Attributed to parent	105,881	(936,194)
Attributed to minority interest	(127)	(91)

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2013

	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	Minoritary Interests	Total equity
Closing balance at 31 December 2012	**2,003,748**	**-**	**1,380,235**	**(3,186)**	**75,679**	**-**	**(938,506)**	**(13,498)**	**2,504,472**	**(12,929)**	**2,491,543**	**835**	**2,492,378**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	**2,003,748**	**-**	**1,380,235**	**(3,186)**	**75,679**	**-**	**(938,506)**	**(13,498)**	**2,504,472**	**(12,929)**	**2,491,543**	**835**	**2,492,378**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**-**	**82,881**	**-**	**82,881**	**23,000**	**105,881**	**(127)**	**105,753**
Other changes in equity	**312,084**	**-**	**(968,654)**	**9,224**	**(50,215)**	**-**	**939,144**	**(62,230)**	**179,353**	**(295)**	**179,058**	**(88)**	**178,970**
Capital/Endowment fund increase	252,485	-	-	-	9,384	-	-	-	261,869	-	261,869	-	261,869
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	-	-	(7,052)	-	-	-	-	(75,728)	(82,780)	-	(82,780)	-	(82,780)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	(962,243)	9,601	-	-	939,144	13,498	-	-	-	-	-
Increases (reductions) due to risk combinations	59,599	-	-	(38)	(59,599)	-	-	-	(38)	(295)	(333)	-	(333)
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	641	(339)	-	-	-	-	302	-	302	(88)	214
Closing balance at 31 December 2013	**2,315,834**	**-**	**412,218**	**6,038**	**25,463**	**-**	**82,881**	**(75,728)**	**2,766,706**	**9,775**	**2,776,482**	**620**	**2,777,101**

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2012 (*)

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	Minoritary Interests	Total equity
Closing balance at 31 December 2011	**1,394,087**	**-**	**1,274,055**	**5,230**	**4,350**	**-**	**46,186**	**(43,249)**	**2,680,659**	**(14,290)**	**2,666,369**	**-**	**2,666,369**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	**1,394,087**	**-**	**1,274,055**	**5,230**	**4,350**	**-**	**46,186**	**(43,249)**	**2,680,659**	**(14,290)**	**2,666,369**	**-**	**2,666,369**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**-**	**(938,506)**	**-**	**(938,506)**	**2,313**	**(936,193)**	**(91)**	**(936,284)**
Other changes in equity	**609,661**	**-**	**106,180**	**(8,416)**	**71,329**	**-**	**(46,186)**	**29,751**	**762,319**	**(952)**	**761,367**	**926**	**762,293**
Capital/Endowment fund increase	355,637	-	-	-	811	-	-	-	356,448	-	356,448	-	356,448
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	1,130	-	-	-	1,130	-	1,130	-	1,130
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	(41,725)	-	-	-	-	(13,498)	(55,223)	-	(55,223)	-	(55,223)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	(4,728)	(868)	-	-	(46,186)	43,249	(8,533)	-	(8,533)	-	(8,533)
Increases (reductions) due to risk combinations	254,024	-	161,552	(7,285)	69,388	-	-	-	477,679	(952)	476,727	926	477,653
Optional transfer to welfare funds	-	-	(10,500)	-	-	-	-	-	(10,500)	-	(10,500)	-	(10,500)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	1,581	(263)	-	-	-	-	1,318	-	1,318	-	1,318
Closing balance at 31 December 2012	**2,003,748**	**-**	**1,380,235**	**(3,186)**	**75,679**	**-**	**(938,506)**	**(13,498)**	**2,504,472**	**(12,929)**	**2,491,543**	**835**	**2,492,378**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Consolidated Cash Flow Statements

	Thousands of euros	
	2013	**2012 (*)**
CASH FLOWS FROM OPERATING ACTIVITIES	**(1,712,815)**	**1,712,525**
Profit or loss from the period	**82,753**	**(938,598)**
Adjustments to obtain cash flows on operating activities:	**541,192**	**1,417,197**
Depreciation and amortisation	81,678	50,622
Other adjustments	459,514	1,366,575
Net increase/decrease in operating assets:	**1,039,648**	**10,516,758**
Financial liabilities held for trading	(560)	-
Other financial assets at fair value through profit or loss	18,066	(539)
Available-for-sale financial assets	1,833,954	(961,642)
Loans and receivables	(942,178)	11,008,543
Other assets de explotación	130,366	470,396
Net increase/decrease in operating liabilities:	**(1,289,513)**	**12,062,248**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(993,293)	11,884,485
Other financial liabilities	(296,220)	177,763
Collection/Payments on account on income tax	**(7,599)**	**(311,564)**
CASH FLOWS FROM INVESTING ACTIVITIES	**1,695,090**	**(2,563,323)**
Payments:	**426,067**	**2,640,377**
Tangible assets	160,064	437,263
Intangible assets	218,395	132,162
Investments	-	8,987
Other business units	-	-
Non-current assets and associated liabilities held for sale	47,608	226,621
Held-to-maturity investments	-	1,835,344
Other settlements related to investing activities	-	-
Collections:	**2,121,157**	**77,054**
Tangible assets	83,359	43,329
Intangible assets	-	256
Investments	38,259	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	66,310	33,469
Held-to-maturity investments	1,933,229	-
Other payments relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**150,050**	**765,784**
Payments:	**111,820**	**13,498**
Dividends	75,728	13,498
Subordinated liabilities	36,092	-
Redemption of own equity instruments	-	-
Adquisition of own equity instruments	-	-
Other collections relating financial activities	-	-
Collections:	**261,870**	**779,282**
Subordinated liabilities	-	98,384
Issuance of own equity instruments	261,870	680,898
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**132,325**	**(85,014)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**366,434**	**451,448**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**498,759**	**366,434**

MEMORANDUM ITEM	Thousands of euros	
	2013	**2012**
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	316,467	251,901
Cash equivalent balances with central banks	182,292	114,533
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial liabilitiy	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**498,759**	**366,434**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Contents

1. General Information

1.1. Nature of the entity

Cajas Rurales Unidas, Sociedad Cooperativa de Crédito is a cooperative by nature, which has the status and classification of a Credit Cooperative and focuses its preferential activity and attention on its shareholders.

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 plan for the merger of both entities. Following compliance with the legally established requirements, the merger was unanimously approved by the respective General Assemblies of both entities on 17 January 2012. The merger was carried out following the obtention of the mandatory administrative authorisations and in particular, following the proceedings completed before the Secretary General for the Treasury and Financial Policy of the Ministry of the Economy and Competitiveness which granted authorization on 10 July 2012 (Note 1.5 and 2.5).

The aforementioned merger plan led to the formation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, as was verified through the foundational agreement and pact of its forming entities, two pre-existing credit cooperatives, Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad. Cooperativa de Crédito. These entities were dissolved without liquidation and Caja Rurales Unidas, Sociedad Cooperativa de Crédito succeeded and assumed through universal succession all their rights and obligations, operations, contracts, customers and shareholders, through its actual formation.

Cajas Rurales Unidas, Sociedad Cooperativa de Crédito was formed for an indefinite timeperiod through the Merger and Formation Deed -Execution of Corporate Resolutions - executed on 16 October 2012 before the Notary of Valencia Mr Emilio V. Orts Calabuig, under number 2.050 of his protocol -, which records all aspects of its formation by its founding entities.

That deed and therefore Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, in accordance with the applicable legal regime, is duly entered in the Mercantile Register of Almería, Volume 1.526, Book 0, Sheet 1, Page AL-40338, Entry 1 dated 31 October 2012.

In addition, the Formation Deed and therefore the Company were entered in the Government Register of Cooperatives, on 8 November 2012, Volume LVIII, Sheet 5757, under entry 1, indicating its classification as a Credit Cooperative. In that Government Registry of Cooperatives, the Entity has been assigned registration number 2627-SMT.On that date, all assets and liabilities were transferred to the New Entity.

With respect to its Credit Institution status, it is entered in the Bank of Spain Special Register of Credit Cooperatives under code number 3058.

The current, prevailing Bylaws are the result of the raising to public deed of resolutions on 5 November 2013 before notary public of Almería, Mr. Lazaro Gallego Salas, number 1,178 of his protocol, which is duly registered in the Mercantile Registry of Almería, Volume 1,526, Book 0, Paper 170, Sheet AL-40338, Inscription 91st dated November 21, 2013.

It is currently regulated by the Cooperative Act (Spanish Law 27/1999, of 16 July, published in official state gazette no. 170 on 17 July 1999) and other prevailing and applicable legislation, the Credit Cooperatives Act (Law 13/1989, of 26 May) and its enacting regulations passed by Royal Decree 84/1993, of 22 January, and the Companies Register regulations and other prevailing and applicable legislation.

On 31 October 2102, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito executed the Regulating Contract which served to create Cooperativo Cajas Rurales Unidas Group and its associated Institutional Protection Scheme (SIP for its acronym in Spanish), in which it participates as Parent Entity.

The Entity's ordinary business activities are carried out mainly under the "Cajamar Caja Rural" and "Cajamar" trademarks.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, an Entity making up Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, was founded in 1963, under the name Caja Rural de Almería, Sociedad Cooperativa de Crédito through the foundational deed pursuant to the agreement of the founding entities. Cajamar Caja Rural, Sociedad Cooperativa de Crédito, was the entity resulting from the merger, performed in 2000, of Caja Rural de Almería, Sociedad Cooperativa de Crédito and Caja Rural de Málaga, Sociedad Cooperativa de Crédito which was absorbed by the former.

Subsequently, Cajamar Caja Rural, Sociedad Cooperativa de Crédito carried out several merger processes; in 2007 with Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada, in 2010 with Caixa Rural de Balears, Sociedad Cooperativa de Crédito, and in 2011 with Caja Campo, Caja Rural, Sociedad Cooperativa de Crédito. All these merger processes were carried out through the absorption of the aforementioned entities by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, and therefore entailed succession through universal title to all rights and obligations of the target entities that were dissolved.

In 2013, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito merged with three entities: Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana and Caja Rural de Canarias, Sociedad Cooperativa de Crédito. In effect, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito absorbed these three entities, thereby acquiring, by universal succession, all of the transferors' rights and obligations; the three transferors were dissolved. Once all the required permits had been obtained, the merger deeds were registered in the Companies Register of Almeria on 4 November 2013 (Notes 1.5 and 2.5).

The above mergers were covered by the special tax regime under current legislation, and the pertinent legal disclosures were included in the first annual reports approved following these mergers.

Cajas Rurales Unidas Cooperative Group

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

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 such legislation into account, common financial groups have been formed under the Cooperative Group legal regime in order to strengthen the member entities and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity shared. These Groups are formed through a Contractual Agreement which reflects their functioning. The member entities previously reform their bylaws to include the main aspects of the condition clauses of that Agreement. The agreements entail the appointment of the Group's Parent Company and therefore its Governing Board which is its ultimate decision making body. As such it is responsible for the high level administration and supervision of the Group's activities, with the exclusive assignment of the capacities of strategic management, external representation, internal coordination, the establishment of risk policies and legislation their control and audit, the approval of business plans and the definition of commercial, pricing and distribution policies.

Under such Agreements and also in accordance with the requirements laid down in Circular 3/2008, solvency commitments are established which are reciprocal, direct and unconditional, in order to avoid situations of bankruptcy and assess the Groups' capital needs on a common basis and set a solvency objective for them that all participants undertake to maintain. Additionally, a mandatory capitalisation plan is established in the event that any of them report a shortfall with respect to the committed objective. Similarly, the Agreements envisage a liquidity commitment and in the event of any insufficiency, they include a liquidity plan in order to return to normality.

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.

On the basis of the aforementioned regulations and considerations, the resolution to incorporate the Cooperativo Cajas Rurales Unidas Group was approved on 27 April 2012. This Group was the result of the union of Cooperativo Cajamar Group and Cooperativo de Cajas Rurales del Mediterráneo Group, in turn as a result of the merger of their respective parent entities (Note 1.1), to which end their chairmen, on behalf of their respective entities and the savings banks integrated into their respective groups, notified the Bank of Spain that all of the Governing Boards had resolved, extinguishing the former groups, to create the aforementioned Group, asking for the central bank's (i) recognition as a Consolidable Group of Credit Institutions and an Institutional Protection Scheme; (ii) recognition of Cajas Rurales Unidas as the Parent of the new Group and intermediary for minimum reserve maintenance purposes, as required under ECB Regulation 1,745/2003; and (iii) exemption, on an individual and sub-consolidated basis, from compliance with the solvency requirements and concentration risk limits on the part of both the Parent and the other member entities. In addition to the characteristics itemised above, the contractual agreement governing how this new Group operates calls for the mutualisation of profits such that aggregate gross profit is allocated in proportion to each entity's average total assets.

The integrated entities in Grupo Cooperativo Cajas Rurales Unidas - 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 Approval Date
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	18/12/2012	27/06/2012
Caixa Rural Altea, Cooperativa de Credit Valenciana	30/06/2012	27/06/2012
Caja Rural San José de Burriana, Coop. de Crédito V.	15/06/2012	27/06/2012
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	20/06/2012	27/06/2012
Caixa Rural San José de Nules, S. Coop. de Crédito V.	15/06/2012	27/06/2012
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	22/06/2012	27/06/2012
Caja Rural de Alginet, S. Coop. de Crédito V.	21/06/2012	27/06/2012
Caja Rural San Jaime De Alquerías Niño Perdido, Coop. de Crédito V.	15/06/2012	27/06/2012
Caja Rural de Villar, Coop. de Crédito V.	29/06/2012	27/06/2012
Caixa Rural San Josep de Vilavella, S. Coop. de Crédito V.	15/06/2012	27/06/2012
Caja Rural San Roque de Almenara, S. Coop. de Crédito V.	16/06/2012	27/06/2012
Caja Rural La Junquera de Chilches, Coop. de Crédito V.	15/06/2012	27/06/2012
Caja Rural San Isidro de Vilafamés, Coop. de Crédito V.	22/06/2012	27/06/2012
Caja Rural Católico Agraria, Coop. de Crédito V.	15/06/2012	27/06/2012
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, S. Coop. de Crédit V.	20/06/2012	27/06/2012
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/06/2012	27/06/2012
Caixa Rural de Turís, Cooperativa de Crédito Valenciana.	22/06/2012	27/06/2012
Caixa Rural Albalat Dels Sorells, Cooperativa de Crédit Valenciana	05/06/2012	27/06/2012
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	25/06/2012	27/06/2012

At 31 December 2013, total Assets, Equity and results of the year coming from the lead Entity represent 94.87%, 91.68% and 92.84% compared to those coming from Grupo Cooperativo Cajas Rurales Unidas (90.16%, 87.72% and 101.61% respectively at 31 December 2012).

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 Cajas Rurales Unidas for the years ended 31 December 2013 and 2012, 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 Cajas Rurales Unidas Sociedad Cooperativa de Crédito as at 31 December 2013 and 2012:

	Thousands of euros	
	2013	**2012 (*)**
ASSETS		
Cash and balances with central banks	483,253	329,868
Financial liabilities held for trading	488	1,094
Other financial assets at fair value through profit or loss	19,011	-
Available-for-sale financial assets	3,093,799	1,005,518
Loans and receivables	33,809,015	32,625,179
Held-to-maturity investments	-	1,878,430
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	126,998	192,382
Available-for-sale non current assets	360,151	323,530
Investments	56,359	101,465
Associates	*14,635*	*22,857*
Jointly controlled entities	-	-
Group entities	*41,724*	*78,608*
Insurance contracts linked to pensions	-	-
Tangible assets	714,454	712,490
Property, plants and equipment	*637,740*	*648,636*
Investment properties	*76,714*	*63,854*
Intangible assets	332,507	355,152
Goodwill	*122,391*	*122,391*
Other intangible assets	*210,117*	*232,761*
Tax assets	862,222	836,163
Current	*21,868*	*12,729*
Deferred	*840,354*	*823,434*
Other assets	88,145	533,828
TOTAL ASSETS	**39,946,402**	**38,895,099**
LIABILITIES AND EQUITY		
Financial liabilities held for trading	58,259	68,601
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	36,916,688	36,055,716
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	6,715	7,453
Liabilities associated with non-current assets held for sale	-	-
Provisions	94,195	142,278
Tax liabilities	102,760	122,092
Current	*14,778*	*19,369*
Deferred	*87,982*	*102,723*
Education and Development Fund	9,721	10,799
Other liabilities	211,938	301,901
Capital having the nature of a financial liability	-	-
TOTAL LIABILITIES	**37,400,274**	**36,708,840**
Own funds	**2,541,124**	**2,198,065**
Capital	2,330,505	2,022,567
Issued	*2,330,505*	*2,022,567*
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves	209,747	1,141,460
Other equity instruments	-	-
Less: Treasury shares	-	-
Profit (loss) for the year	76,826	(953,736)
Less: dividends and remuneration	(75,955)	(12,226)
Valuation adjustments	**5,004**	**(11,806)**
Available-for-sale financial assets	5,004	(11,806)
TOTAL EQUITY	**2,546,127**	**2,186,259**
TOTAL LIABILITIES AND EQUITY	**39,946,402**	**38,857,059**
MEMORANDUM ITEM		
Contingent exposures	707,048	1,266,489
Contingent commitments	2,044,420	2,003,530
TOTAL MEMORANDUM ACCOUNTS	**2,751,468**	**3,270,019**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

b) Individual income statements from Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the years ended 31 December 2013 and 2012:

	Thousands of euros	
	2013	**2012 (*)**
Interest and similar income	1.137.146	1.089.626
Interest expense and similar charges	(529.681)	(547.152)
Remuneration of capital having the nature of a financial liability	-	-
NET INTEREST INCOME	**607.465**	**542.474**
Return on equity instruments	10.720	10.228
Fee and commission income	273.336	170.772
Fee and commission expense	(23.627)	(27.979)
Gains or losses on financial assets and liabilities (net)	230.835	81.010
Exchange differences	1.794	2.035
Other operating income	22.531	23.347
Other operating expenses	(67.608)	(56.344)
GROSS INCOME	**1.055.446**	**745.543**
Administrative expenses	(418.771)	(326.759)
Personnel expenses	*(297.557)*	*(235.390)*
Other administrative expenses	*(121.214)*	*(91.369)*
Depreciation and amortisation	(76.379)	(46.463)
Provisioning expenses (net)	(93.045)	(70.874)
Impairment losses on financial assets (net)	(77.029)	(1.304.513)
NET OPERATING INCOME	**390.222**	**(1.003.066)**
Impairment losses on rest of assets (net)	(307.404)	(251.007)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(6.232)	(7.295)
Negative difference un business combinations	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	(14.429)	(36.692)
PROFIT BEFORE TAX	**62.157**	**(1.298.060)**
Income tax	14.766	347.748
Assigned to the Education and Development Fund	(97)	(3.424)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**76.826**	**(953.736)**
Profit or loss discontinued operations (net)	-	-
PROFIT OR LOSS FOR THE PERIOD	**76.826**	**(953.736)**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

c) Individual statements of revenues and expenses from Cajas Rurales Unidas Sociedad Cooperativa de Crédito recognised for the years ended 31 December 2013 and 2012:

	Thousands of euros	
	2013	**2012 (*)**
A) PROFIT FOR THE PERIOD	**76.826**	**(953.736)**
B) OTHER RECOGNISED INCOME AND EXPENSES	**17.343**	**1.322**
B.1) Items that will not be relcassified to income	533	-
Actuarial gains and losses in pension plans to defined benefit	533	-
Non-current assets held for sale	-	-
Income tax related to items that will not be reclassified to income	(189)	-
B.2) Items that may be reclassified to income	16.809	1.322
Available-for-sale financial assets	22.593	2.133
Revaluation gains/losses	183.009	61.990
Amounts transferred to income statement	(160.416)	(59.857)
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	(5.784)	(811)
TOTAL RECOGNISED INCOME AND EXPENSES (A + B)	**94.168**	**(952.415)**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

d) Individual statements of changes in equity from Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the years ended 31 December 2013 and 2012:

Thousands of euros

	Own Funds									
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total equity
Closing balance at 31 October 2012	**2,022,567**	**-**	**-**	**-**	**-**	**-**	**12,226**	**2,034,793**	**(11,806)**	**2,022,987**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	**2,022,567**	**-**	**-**	**-**	**-**	**-**	**12,226**	**2,034,793**	**(11,806)**	**2,022,987**
Total income and expenses recognised	-	-	533	-	-	76,826	-	**77,359**	**16,810**	**94,169**
Other changes in equity	**2,390,104**	**-**	**(932,246)**	**-**	**-**	**953,736**	**(12,226)**	**2,399,368**	**-**	**2,437,924**
Capital/Endowment fund increase	-	-	-	-	-	-	-	-	-	-
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	-	-	7,052	-	-	-	(75,955)	**83,007**	-	**83,007**
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	-	-	-
Operations with own equity instruments (net)	-	-	(966,601)	-	-	954,374	(12,226)	**(1)**	-	**(1)**
Reclassifications	59,599	-	40,769	-	-	-	-	**100,368**	-	**100,368**
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	2,330,505	-	638	-	-	(638)	75,955	**2,254,550**	-	**2,254,550**
Closing balance at 31 December 2012	**4,412,671**	**-**	**(931,713)**	**-**	**-**	**1,030,562**	**-**	**4,511,520**	**5,004**	**4,516,524**

Thousands of euros

	Own Funds									
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total 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**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	**1,394,087**	**-**	**1,197,608**	**-**	**-**	**44,435**	**(43,249)**	**2,592,881**	**(6,596)**	**2,586,285**
Total income and expenses recognised	-	-	-	-	-	(953,736)	-	**(953,736)**	**1,322**	**(952,414)**
Other changes in equity	**628,480**	**-**	**(56,148)**	**-**	**-**	**(44,435)**	**31,023**	**558,920**	**(6,531)**	**552,389**
Capital/Endowment fund increase	355,637	-	-	-	-	-	-	**355,637**	-	**355,637**
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	-	-	(50,258)	-	-	-	(12,226)	**(62,484)**	-	**(62,484)**
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	1,186	-	-	(44,435)	43,249	-	-	-
Increases (reductions) due to risk combinations	272,843	-	3,424	-	-	-	-	**276,267**	(6,531)	**269,736**
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 2012	**2,022,567**	**-**	**1,141,460**	**-**	**-**	**(953,736)**	**(12,225)**	**2,198,066**	**(11,805)**	**2,186,260**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

e) Individual cash-flow statements from Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the year ended 31 December 2013 and 2012:

Net increase/decrease in operating assets:	**847.747**	**7.472.230**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	19.011	-
Available-for-sale financial assets	203.217	(1.223.178)
Loans and receivables	1.053.146	8.530.539
Other assets de explotación	(427.627)	164.869
Net increase/decrease in operating liabilities:	**708.378**	**8.692.261**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	957.579	8.563.845
Other financial liabilities	(249.201)	128.416
Collection/Payments on account on income tax	**(29.194)**	**(255.691)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(570.211)**	**(2.336.099)**
Payments:	**1.081.782**	**2.378.880**
Tangible assets	479.501	274.977
Intangible assets	219.128	123.705
Investments	267.419	72.397
Other business units	-	-
Non-current assets and associated liabilities held for sale	115.735	154.184
Held-to-maturity investments	-	1.753.617
Other settlements related to investing activities	-	-
Collections:	**511.571**	**42.781**
Tangible assets	403.614	19.817
Intangible assets	237	256
Investments	20.013	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	87.707	22.708
Held-to-maturity investments	-	-
Other payments relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**203.388**	**707.141**
Payments:	**104.550**	**12.226**
Dividends	75.955	12.226
Subordinated liabilities	28.595	-
Redemption of own equity instruments	-	-
Adquisition of own equity instruments	-	-
Other collections relating financial activities	-	-
Collections:	**307.938**	**719.367**
Subordinated liabilities	-	90.888
Issuance of own equity instruments	307.938	628.479
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**153.385**	**(116.889)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**329.868**	**446.757**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**483.253**	**329.868**

MEMORANDUM ITEM	Thousands of euros	
	2013	**2012**
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	301.116	223.663
Cash equivalent balances with central banks	182.138	106.205
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial liabilitiy	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**483.254**	**329.868**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

1.2. Corporate purpose

The Entities participating in the Cooperative 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 Cooperative Group is headquartered at Plaza Barcelona 5 in Almeria and has a network of 1,522 offices located throughout the whole Spanish territory (see Schedule II for a list of offices by geographic area).

1.4. Legal matters

As the Cooperative 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 1% of qualifying liabilities at 31 December 2013. (Note 7.2).

- 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 Cooperative Group (established at 75% for the year 2012 by Cajas Rurales Unidas'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 Cajas Rurales Unidas pertains to the Credit Cooperative Deposit Guarantee Fund, which provides up to 100 thousand Euros in guarantees for each depositor (Note 3.17).

Article 57 of Cajas Rurales Unidas' 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, 20% to the Mandatory Reserve Fund and the remaining 70% as determined by members at a General Assembly, based on a proposal from the Governing Body (Note 5).

Grupo Cajas Rurales Unidas 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.

- Bank of Spain Circular 2/2012 (29 February), which modifies Circular 4/2004 of Bank of Spain to adapt it to RDL 2/2012.

- Bank of Spain Circular 6/2012 (28 September), which modifies Anejo IX of Circular 4/2004 of Bank of Spain to adapt it to RDL 18/2012.

- Bank of Spain Circular 7/2012 (30 November), related to minimum capital requirements.

- 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 27).

- RD 2/2012 (3 February) on the strengthening of the financial system.

- RD 18/2012 (11 May) on the strengthening of the financial system and selling of real estate assets of the financial system.

- Law 8/2012 (30 October) on the strengthening of the financial system and selling of real estate assets of the financial system.

- Bank of Spain Circular 1/2014, of 31 January, on credit institutions, amending Circular 4/2004, of 22 December, on credit institutions' public and confidential reporting requirements and financial statement templates.

- Bank of Spain Circular 5/2013, of 30 October, amending Circular 4/2004, of 22 December, on credit institutions' public and confidential reporting requirements and financial statement templates, and Bank of Spain Circular 1/2013, of 24 May, on the Risk Information Register.

- Bank of Spain Circular 4/2013, of 27 September, amending Circular 3/2008, of 22 May, on the assessment and monitoring of minimum capital requirements of credit institutions in respect of the definition of small and medium sized companies.

Standards and interpretations issued by the International Accounting Standards Board (IASB) that came info force in 2013

In 2013 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 modifications	Mandatory application year 2013
IAS 1 (Modification)	Presentation of financial statements
IAS 12 (Modification)	Deferred Tax: Recovery of underlying assets
IAS 19 (Modification)	Retributions to employees
IFRS 1	High level of hiperinflation and elimination of fixed dates applicable to first adopters
	Public Loans
IFRS 7	Compensation of financial assets with financial liabilities
IFRS 13	Fair value valuation

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

At 31 December 2013 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 derivatives and had decided not to execute the option of early application, if possible, due to its immateriality.

Norms and modifications		Mandatory aplication year
IFRS 10	Consolidated financial statements	2014
IFRS 11	Good joint agreement	2014
IFRS 12	Breakdown of investments in other Entities	2014
IAS 27 (Modification)	Separated financial statements	2014
IAS 28 (Modification)	Investments in associates and joint ventures	2014
IAS 32 (Modification)	Compensation of financial assets with financial liabilities	2014
IFRS 10 (Modification), IFRS 11 (Modification) y IFRS 12 (Modification)	Consolidated financial statements, Good joint agreement and breakdown of investments in other entities: Transitory dispositions	2014
IFRS 10 (Modification), IFRS 12 (Modification) y IAS 27 (Modification)	Investment entities	2014
IAS 36 (Modification)	Disclosure of the recoverable amount of non financial assets	2014
IAS 39 (Modification)	Novation of derivatives and continued hedge accounting	2014
IAS 19 (Modification)	Defined benefit plans: Contributions from employees	2014
IFRS 9	Financial instruments	2013
IFRS 9 (Modification)	Entry in force date and transaction breakdown	2013
IFRS 9 (Modification)	Financial Instruments: Hedge accounting and modifications to IFRS 9, IFRS 7 and IAS 39	2015
IFRIC 21	Levies	2014

(1) Norms and interpretations not adopted by the European Union at 31 December 2013.

1.5. Business Combinations.

Merger with Caja Rural del Mediterráneo –Ruralcaja-, Sociedad Cooperativa de Crédito

The Draft Terms of Merger, drawn up and approved by the respective Governing Boards, were approved at the General Assemblies of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana on 29 May 2013.

The above draft terms of merger envisaged the merger of Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana into Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Once all the required permits had been obtained, the merger deeds were registered in the Companies Register of Almeria on 4 November 2013. The transactions have been accounted for with effect from 1 January 2013 for accounting purposes (Notes 1.1 and 2.5).

As a result of the merger agreement, and in light of the fact that the transferor was dissolved, the members of the latter received a share of the capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito with a par value of €61 per share for every share they had held, with a unit par value of €60.11, in the capital of Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana.

In keeping with the events described in this Note, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito proceeded to recognise the assets, liabilities and contingent liabilities of Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana in its financial statements, as well as the intangible assets not recognised by the latter that qualified as of the date of the transaction for recognition as such, all of which measured at their fair values.

The related balances at 1 January 2013 of Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana that were recognised in the financial statements of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (*), were as follows:

	Thousands of euros
Assets	
Cash and balances with central banks	208
Financial liabilities held for trading	-
Other financial assets at fair value through profit or loss	-
Available-for-sale financial assets	3
Loans and receivables	40,826
Memorandum Item: Loaned or pledged	*8,593*
Held-to-maturity investments	10
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	-
Available-for-sale non current assets	1,148
Investments	-
Insurance contracts linked to pensions	-
Tangible assets	758
Intangible assets	-
Tax assets	897
Other assets	251
TOTAL ASSETS	**44,101**

	Thousands of euros
Liabilities	
Financial liabilities held for trading	-
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	38,821
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	-
Liabilities associated with non-current assets held for sale	-
Provisions	690
Tax liabilities	113
Education and Development Fund	4
Other liabilities	303
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**39,931**
Equity	
Capital	149
Reserves	4,773
Profit (loss) for the year	(752)
Dividends and remuneration	-
Valuation adjustments	-
TOTAL EQUITY	**4,170**
TOTAL LIABILITIES AND EQUITY	**44,101**

MEMORANDUM ITEM	Thousands of euros
Contingent exposures	1,927
Contingent commitments	1,355
TOTAL MEMORANDUM ACCOUNTS	**3,282**

(*) Figures belong to audited Financial Statements of year 2012.

Merger with Caja Rural Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana

The Draft Terms of Merger, drawn up and approved by the respective Governing Boards, were approved at the General Assemblies of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana on 29 May 2013.

The above draft terms of merger envisaged the merger of Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana into Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Once all the required permits had been obtained, the merger deeds were registered in the Companies Register of Almeria on 4 November 2013. The transactions have been accounted for with effect from 1 January 2013 for accounting purposes (Notes 1.1 and 2.5).

As a result of the merger agreement, and in light of the fact that the transferor was dissolved, the members of the latter received a share of the capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito with a par value of €61 per share for every share they had held, with a unit par value of €60.11, in the capital of Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana.

In keeping with the events described in this Note, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito proceeded to recognise the assets, liabilities and contingent liabilities of Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana in its financial statements, as well as the intangible assets not recognised by the latter that qualified as of the date of the transaction for recognition as such, all of which measured at their fair values.

The related balances at 1 January 2013 of Credit Valencia Caixa Rural, Sociedad Cooperativa de Crédito Valenciana that were recognised in the financial statements of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito(*) were as follows:

	Thousands of euros
Assets	
Cash and balances with central banks	3,049
Financial liabilities held for trading	556
Other financial assets at fair value through profit or loss	-
Available-for-sale financial assets	91,843
Loans and receivables	464,582
Memorandum Item: Loaned or pledged	-
Held-to-maturity investments	2,066
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	-
Available-for-sale non current assets	4,438
Investments	156
Insurance contracts linked to pensions	-
Tangible assets	8,497
Intangible assets	-
Tax assets	10,887
Other assets	11,375
TOTAL ASSETS	**597,449**

	Thousands of euros
Liabilities	
Financial liabilities held for trading	-
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	567,370
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	221
Liabilities associated with non-current assets held for sale	-
Provisions	6,500
Tax liabilities	1,125
Education and Development Fund	134
Other liabilities	6,876
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**582,226**
Equity	
Capital	27,540
Reserves	3,242
Profit (loss) for the year	(17,177)
Dividends and remuneration	-
Valuation adjustments	1,618
TOTAL EQUITY	**15,223**
TOTAL LIABILITIES AND EQUITY	**597,449**

	Thousands of euros
MEMORANDUM ITEM	
Contingent exposures	12,067
Contingent commitments	25,049
TOTAL MEMORANDUM ACCOUNTS	**37,116**

(*) Figures belong to audited Financial Statements of year 2012.

Merger with Caja Rural de Canarias Sociedad Cooperativa de Crédito

The Draft Terms of Merger, drawn up and approved by the respective Governing Boards, were approved at the General Assemblies of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and Caja Rural de Canarias, Sociedad Cooperativa de Crédito on 28 June 2013.

The above draft terms of merger envisaged the merger of Caja Rural de Canarias, Sociedad Cooperativa de Crédito into Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Once all the required permits had been obtained, the merger deeds were registered in the Companies Register of Almeria on 4 November 2013. The transactions have been accounted for with effect from 1 January 2013 for accounting purposes (Notes 1.1 and 2.5).

As a result of the merger agreement, and in light of the fact that the transferor was dissolved, the members of the latter received a share of the capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito with a par value of €61 per share for every share they had held, with a unit par value of €60.11, in the capital of Caja Rural de Canarias, Sociedad Cooperativa de Crédito.

In keeping with the events described in this Note, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito proceeded to recognise the assets, liabilities and contingent liabilities of Caja Rural de Canarias, Sociedad Cooperativa de Crédito in its financial statements, as well as the intangible assets not recognised by the latter that qualified as of the date of the transaction for recognition as such, all of which measured at their fair values.

The related balances at 1 January 2013 of Caja Rural de Canarias, Sociedad Cooperativa de Crédito that were recognised in the financial statements of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito(*), were as follows:

	Thousands of euros
Assets	
Cash and balances with central banks	19,875
Financial liabilities held for trading	1,169
Other financial assets at fair value through profit or loss	1,070
Available-for-sale financial assets	104,149
Loans and receivables	956,513
Memorandum Item: Loaned or pledged	*47,394*
Held-to-maturity investments	26,810
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	34
Available-for-sale non current assets	23,231
Investments	-
Insurance contracts linked to pensions	-
Tangible assets	27,724
Intangible assets	165
Tax assets	17,004
Other assets	5,643
TOTAL ASSETS	**1,183,387**

	Thousands of euros
Liabilities	
Financial liabilities held for trading	1,170
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	1,089,116
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	948
Liabilities associated with non-current assets held for sale	-
Provisions	4,346
Tax liabilities	2,667
Education and Development Fund	-
Other liabilities	4,132
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**1,102,379**
Equity	
Capital	31,911
Reserves	50,928
Profit (loss) for the year	1,200
Dividends and remuneration	(1,189)
Valuation adjustments	(1,842)
TOTAL EQUITY	**81,008**
TOTAL LIABILITIES AND EQUITY	**1,183,387**

	Thousands of euros
MEMORANDUM ITEM	
Contingent exposures	93,509
Contingent commitments	42,819
TOTAL MEMORANDUM ACCOUNTS	**136,328**

(*) Figures belong to audited Financial Statements of year 2012.

Merger with Caja Rural del Mediterráneo –Ruralcaja-, Sociedad Cooperativa de Crédito

On 15 December 2011 the Governing Committees of Cajamar, Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito approved the plan for the merger of both entities. Following compliance with the legally established requirements, the merger was unanimously approved by the respective General Assemblies of both entities on 17 January 2012. The merger was completed following the obtention of the mandatory administrative authorisations and particularly, following the file submitted to the Secretary General for the Treasury and Financial Policy of the Ministry of the Economy and Competitiveness (Note 1.1 and 2.5).

1 November 2012 has been taken as the acquisition date as all pertinent authorisations were obtained on that date and on the understanding that effective control was acquired on that date.
From that date, the target's operations are considered to have been performed on account of the acquiring entity for accounting purposes.

The aforementioned merger plan led to the formation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Note 1.1), including in its financial statements the assets, liabilities and contingent liabilities of Cajamar, Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito, including the intangible assets not recognised by the latter which at the date on which the merger took effect for accounting purposes were recognised as such, measured at fair value.

As a result of the merger process described and the resulting formation of the new entity Cajas Rurales Unidas, the corresponding business combination was recognised between both entities through the assignment of the transaction cost to specific assets, liabilities and contingent liabilities.

Taking into account the economic reality of the transaction and not only the legal form of the business combination whereby a new entity is formed, Cajamar Caja Rural has been designated as the acquirer, taking into account the relative size of both entities and the fact that the shareholders of this entity hold the majority of the voting rights of Cajas Rurales Unidas, and control over the main governing bodies and management positions of the latter.

Similarly, at that date and prior to the dissolution without liquidation of Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito, in accordance with the contractual agreement between that entity and the entities participating in Grupo Cooperativo de Cajas Rurales del Mediterráneo, the relevant adjustment for the mutualisation of results was recognised between those entities, the effect of which in Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito, and therefore in the new entity Cajas Rurales Unidas amounted to €32,924 thousand.

Nonetheless, the governing boards of the entities participating in that Cooperative Group agreed to exclude certain aspects from that mutualisation adjustment, mainly the effects of the additional cover recognised as a result of the impairment and decline in value of real estate assets and real estate guarantees as described in Note 2.6, the provision for restructuring and other provisions recognised by each Entity.

Additionally, in accordance with Rule 43 of Bank of Spain Circular 4/2004 and subsequent amendments on business combinations, the balances included of Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito were subject to adjustments and standardisation, in relation to both the elimination of common balances recorded between the two entities and the results generated by them and the fair value measurement of the assets, liabilities and equity of the target.

As a result of the merger and given the extinguishment of the entities involved, the shareholders of the same obtained a contribution to the capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito with a nominal value of €61 per contribution. The business combination cost, determined as the amount of the equity instruments of the new entity, delivered to the former shareholders of Ruralcaja amounted to €270,659 thousand.

At 31 October 2012 the shareholders' funds of Ruralcaja amounted to €158,099 thousand. Such shareholders' funds already included the accounting recognition of the following:

- Adjustments for impairment of real estate assets and financing aimed at real estate construction and development as a result of the decline in value of such assets, due to the current macroeconomic decline, amounting to €194,002 thousand and €6,971 thousand, respectively (Notes 7.5.c and 10).

- Provision for restructuring costs amounting to €48,082 thousand.

Intangible assets have been recognised on the business combination amounting to €112,560 thousand as a result of the comparison of the cost of the business combination and fair value net of assets, liabilities and contingent liabilities (Note 13). This goodwill takes into account, among other factors, expected synergies and future results on the operations of the combined entity and intangible assets that do not meet the conditions to be recognised separately.

Given that at the year end the Entity has been unable to complete the necessary valuation process to apply the acquisition method, the business combination described above has been recognised using provisional values, with the best estimate at the acquisition date of the fair value of the assets and liabilities acquired which will be adjusted within one year or less to include information on the facts and circumstances existing at the acquisition date which are known subsequently. Similarly, the Entity is assessing the assignment of the goodwill to other intangible assets and the amount which is finally deductible of that goodwill.

The balances included in the financial statements of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, deriving from Cajamar Caja Rural, Sociedad Cooperativa de Crédito y Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito at 1 November 2012, are as follows:

	Thousands of euros	
Assets	**Cajamar**	**Ruralcaja**
Cash and balances with central banks	224,385	29,822
Financial liabilities held for trading	1,065	4,418
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	790,287	210,906
Loans and receivables	25,184,482	7,071,887
Memorandum Item: Loaned or pledged	15,007,584	1,993,627
Held-to-maturity investments	3,831,213	490,824
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	202,768	-
Available-for-sale non current assets	228,460	81,040
Investments	114,110	1,499
Insurance contracts linked to pensions	-	-
Tangible assets	534,998	166,416
Intangible assets	32,180	743
Tax assets	540,914	246,545
Other assets	459,457	69,956
TOTAL ASSETS	**32,144,319**	**8,374,055**

	Thousands of euros	
Liabilities	**Cajamar**	**Ruralcaja**
Financial liabilities held for trading	59,188	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	29,854,652	7,976,968
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	5,365	3,724
Liabilities associated with non-current assets held for sale	-	-
Provisions	92,282	59,496
Tax liabilities	41,840	16,300
Education and Development Fund	7,869	4,320
Other liabilities	254,002	154,672
Capital having the nature of a financial liability	-	-
TOTAL LIABILITIES	**30,315,198**	**8,215,480**
Equity		
Own Funds	1,843,339	158,099
Valuation adjustments	(14,218)	476
TOTAL EQUITY	**1,829,121**	**158,575**
TOTAL LIABILITIES AND EQUITY	**32,144,319**	**8,374,055**

	Thousands of euros	
MEMORANDUM ITEM		
Contingent exposures	649,360	673,191
Contingent commitments	1,348,853	275,608
TOTAL MEMORANDUM ACCOUNTS	**1,998,213**	**948,799**

In the business combinations process no relevant counterparties or contingent liabilities have been identified.

Prevailing accounting rules provide reporters with a one-year measurement period for determining the definitive fair values of the assets and liabilities acquired as this is the amount of time deemed necessary to obtain all of the information needed to measure them correctly. Against this backdrop, at 31 December 2012, the Group had recognised provisional adjustments based on the best estimate at the acquisition date of the contractual cash flows it did not expect to collect; apart from the provisional adjustments made in the separate 2012 financial statements, in 2013, within the business combination 12-month measurement period, and on the basis of new information obtained by the Entity, the Group re-estimated the fair values of the assets and liabilities acquired from Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito. Accordingly, the – definitive – accounting adjustments made this year are as follows:

	Thousands of euros			
	Fair Value recognized to 01/11/2012 (1)	**Re-estimate the fair value (2)**	**Book value after correction value**	**Tax effect (3)**
Loans	7.071.887	(234.583)	6.837.304	59.912
Goodwill (Note 13)	-	122.391	122.391	-
Intangible Assets (Note 13)	743	203.607	204.350	(52.001)
Financial liabilities at amortised cost	7.976.968	(18.134)	7.958.834	(4.631)

(1) Includes the fair book value recognized in the Entity as at 1st November 2012 before the re-estimation performed
(2) Includes the additional identified valuation adjustments
(3) Includes the tax effect of the valuation allowance considered in the future as deductible, which is registered as a deferred tax liability or asset, and therefore has not been recognized in equity.

Fiscal effects of the merger can be seen on Note 24.

<u>Merger with Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana:</u>

On 10 May 2012 the General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito y de Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana approved the Plan for the Merger by Absorption drawn up and subscribed by the respective Governing Boards.

That plan envisaged a merger under which Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana was absorbed by Cajamar CajaRural, Sociedad Cooperativa de Crédito. Following the obtention of the necessary administrative authorisations, the merger deed was entered in the Mercantile Register of Almería on 14 September 2012. For accounting purposes, the operations took effect as from 1 January 2012.

As a result of the plan for the merger by absorption and given the extinguishment of the target, its shareholders obtained a contribution to the capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito for a nominal amount of €61 per contribution, with a nominal value of €60.11, that they will hold in the capital of Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana.

In accordance with this Note, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has included in its financial statements the assets, liabilities and contingent liabilities of Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana and, the intangible assets not recognised by the latter which on the date on which the merger took effect for accounting purposes met the requirements to be recognised as such, measured at fair value.

The balances at 1 January 2012 of Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana included in the financial statements of Cajamar Caja Rural, Sociedad Cooperativa de Crédito (*), are as follows:

	Thousand of Euros
Assets	
Cash and balances w ith central banks	3,084
Financial liabilities held for trading	10
Other financial assets at fair value through profit or loss	1,817
Available-for-sale financial assets	81,629
Loans and receivables	334,483
Pro-memo: Borrowed or secured	*20,742*
Held-to-maturity investments	-
Changes in the fair valueof the hedge items in portfolio hedges of interest risk	-
Hedging derivatives	-
Non-current assets available for sale	8,752
Investments	-
Insurance contracts linked to pensions	-
Tabgible assets	17,133
Intangible assets	10
Tax assets	10,984
Other assets	243
TOTAL ASSETS	**458,145**

	Thousand of Euros
Liabilities	
Financial liabilities held for trading	-
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	428,842
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	-
Liabilities associated w ith non-current assets held for sale	-
Provisions	1,089
Tax liabilities	2,429
Education and development fund	347
Other liabilities	340
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**433,047**
Equity	
Ow n funds	32,105
Valuation adjustments	(7,007)
TOTAL EQUITY	**25,098**
TOTAL LIABILITIES AND EQUITY	**458,145**

	Thousand of Euros
PRO-MEMO	
Contingent risks	43,319
Contingent obligations	28,092
TOTAL OFF-BALANCE SHEET ACCOUNTS	**71,411**

(*) Figures belong to audited Financial Statements of year 2011.

The above balances were subject to adjustments and standardisation relating to both the elimination of common balances between the two entities and the results generated by them and the fair value measurement of the assets, liabilities and equity of the target, in accordance with Rule 43 of Bank of Spain Circular 4/2004 (22 December) and subsequent amendments.

Additionally and after the aforementioned merger, and apart from the provisional adjustments included in the individual accounts in 2011 owing to the inclusion of CajaRural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana, in the Cajamar Cooperative Group, in 2012, on the basis of the new information obtained by the Entity, the fair value of the assets and liabilities of Caja Rural de Castellón – S.Isidro, Sociedad Cooperativa de Crédito Valenciana was re-estimated. A breakdown is as follows (Note 2.1):

	Thousand of Euros				
	Fair Value at 31/12/2011 (1)	**Reestimation of fair value (2)**	**Fair Value at merger date**	**Efect on equity (3)**	**Fiscal efect (4)**
Loans and receivables	334.483	(34.568)	299.915	(25.836)	8.732
Total	**334.483**	**(34.568)**	**299.915**	**(25.836)**	**8.732**

(1) Includes the fair book value recognized in the Entity as at 31st December 2011 before the re-estimation performed
(2) Includes the additional identified valuation adjustments
(3) Includes the effect on equity of the identified valuation adjustments
(4) Includes the tax effect of the valuation allowance considered in the future as deductible, which is registered as a deferred tax liability or asset, and therefore has not been recognized in equity.

Fiscal effects of the merger can be seen on Note 24.

1.6. Transfers of real estate assets to the Asset Management Companies.

On 31 October 2012 Law 8/2012 concerning the write-down and sale of the financial sector's real estate assets was published. This established that credit institutions should contribute to a public limited company in the terms established in Chapter II the foreclosed assets or assets received as payment for debts referred to in Article 1.1. of Royal Decree Law 2/2012, i.e., those assets related to loans for property development and property construction or promotion.

The Entities set to receive public assistance have to transfer a significant part of the foreclosed assets, financing and interest in companies devoted to real estate construction and promotion to the Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB).

Credit institutions that have not received public assistance such as Grupo Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, have the same time to transfer foreclosed real estate assets related to the financing of real estate construction and promotion to Asset Management Companies, as to arrange the additional cover described above.

The Group had held a wholly-owned subsidiary, Cimenta2, Gestión e Inversiones, S.L., to which it had been transferring the assets obtained from foreclosures and deeds in lieu of foreclosures in prior years. In order to comply with the requirements laid down in Law 8/2012, and within the deadline provided to this end, on 3 June 2013, Cimenta2 Gestión e Inversiones, S.L.U. and Gestión de Iniciativas Empresariales y Sociedades del Mediterráneo, S.L.U. (transferors) were merged into Casogesa, S.A.U. (transferee). The transferee's registered name was changed to Cimenta2 Gestión e Inversiones, S.A. after the merger.

In 2013 the Entity transferred assets with a carrying amount of €456,871 thousand to Cimenta 2 Gestión e Inversiones, S.A. (€353,435 thousand in 2012) (Notes 10, 12 and 15).

The Group has complied with the investment agreement which governs its interest in SAREB, according to the significant event dated 17 December 2012. The Group made an initial contribution of €11,750 thousand in the form of equity instruments (Note 7.4.b) and €35,200 thousand through the subscription of subordinated debt and there is a maximum additional commitment to subscribe capital amounting to €15,250 thousand and subordinated debt of €45,750 thousand.

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 Cooperative 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 2013.

The 2012 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

Entry of the Credit Institutions in the Cooperative 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 Cajas Rurales Unidas. 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 the year 2013 there are no additions to Grupo Cooperativo Cajas Rurales Unidas.

In 2012 all credit institutions making up the extinguished Grupo Cooperativo de Cajas Rurales del Mediterráneo were included in Grupo Cooperativo Cajas Rurales Unidas (Note 1.1). The fair value of the assets, liabilities and contingent liabilities of all entities at the time of their inclusion in the Group agreed with their carrying value since previously these values had been restated at fair value on the date of inclusion in Grupo Cooperativo de Cajas Rurales del Mediterráneo, and in addition, adjusted in 2012 for the impairment of real estate assets and the financing aimed at real estate construction and promotion in accordance with Note 2.6. amounting to €61,577 thousand and the establishment of restructuring provisions amounting to € 26,817 thousand.

In addition, also in 2012, Caja Rural de Canarias, Sociedad Cooperativa de Crédito,Caixa Rural de Sant Vicente Ferrer de la Vall D ´Uixo, Cooperativa de Crédito Valenciana and CajaRural Católico Agraria, Sociedad Cooperativa Valenciana were included for the first time in the Cooperative Group, following the fair value measurement of their assets, liabilities and contingent liabilities, through adjustments against reserves. In addition and following Bank of Spain authorisation, these adjustments were also included in the individual annual accounts.

The adjustments mentioned above are shown below:

	Thousands of euros					
	Book value before value correction (1)	Adjustments made to estimate fair value (2)	Book value after value correction	Effect on Equity (3)	Fiscal Effect (4)	Bank of Spain Authorisation date
Caja Rural de Canarias, Sociedad Cooperativa de Crédito	**957,332**	**(45,743)**	**911,589**	**(34,124)**	**(11,619)**	**14/03/2012**
Customer loans	928,434	(40,076)	888,358	(29,896)	(10,180)	
Non-current assets for sale	28,898	(5,667)	23,231	(4,228)	(1,439)	
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, Cooperativa de Crédito Valenciana	**120,716**	**(4,372)**	**117,400**	**(3,491)**	**(881)**	**27/06/2012**
Customer loans	99,505	(2,334)	97,171	(1,999)	(335)	
Debt securities	15,451	(130)	15,321	(130)	-	
Non-current assets for sale	2,888	(83)	2,805	(58)	(25)	
Tangible assets - real state investments	2,792	(1,297)	1,495	(909)	(388)	
Other provisions	80	528	608	(395)	(133)	
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito Valenciana	**265,377**	**(23,539)**	**256,018**	**(17,384)**	**(6,155)**	**27/06/2012**
Customer loans	245,217	(11,058)	234,159	(8,294)	(2,764)	
Equity instruments	1,611	(288)	1,323	(202)	(86)	
Non-current assets for sale	13,796	(2,252)	11,544	(1,576)	(676)	
Participations	4,753	(2,851)	1,902	(1,995)	(856)	
Other provisions	-	7,090	7,090	(5,317)	(1,773)	

(1)Includes Entity's book valuebefore value corrections were made.
(2) Includes identified value corrections.
(3) Includes effect on Equity of the identified value corrections..
(4)Includes the fiscal effect of the considered value correction as deductable in the futuree, which has been registered as a differed fiscal asset or liability, and so it has not been registered as equity.

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 Governing Board of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito presents, for comparative purposes, for each of the figures in the present annual accounts, in addition to the figures for 2013, relating to the assets, liabilities and contingent liabilities of the merged entity Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito (Note 1.1 and 3.24) and the entities members of its Group in this year (Note 1.1 and 2.1), those relating to 2012 of the Cajamar Cooperative Group.

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 2012 were approved by the General Assembly held on 27 June 2013.

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 Cooperative Group Entities".

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 (Note 2.1).

Appendix IV details the main headings of the individual balance sheets and income statements of the entities making up the Cooperativo Cajas Rurales Unidas Group at 31 December 2013 and 2012, prepared in accordance with the accounting standards laid down in Bank of Spain Circular 4/2004 and subsequent amendments.

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.

During 2012, in light of the development of Spain's macro-economic situation, which has translated, inter alia, into a decrease in the value of real estate assets and real estate guarantees as a result of the lack of liquidity, oversupply and the limited volume of transactions in the real estate sector, the estimates related to losses on loans and discounts, secured by real estate and construction sector assets and real estate assets on the consolidated balance sheet have been reviewed, following the relevant sector assessments during the period.

In this respect, the Group has recognised additional value adjustments for impairment of these assets amounting to €1,180,838 thousand. A breakdown is included in Notes 7.5.c., 10 and 15 to the present consolidated annual accounts. Additionally, prior to the merger with Caja Rural de Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito and the inclusion in the Group (note 1.5) of the entities of the former Cajas Rurales del Mediterráneo Group, transfers had been made in this respect amounting to €200,973 thousand and € 61,577 thousand, respectively.

In the case of loans and discounts, these estimates are based on collective estimates calculated on financial assets with similar credit risk characteristics. As they are based on Management's best understanding of current and foreseeable circumstances, the final results could differ from these estimates.

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 2013 and 2012:

	% shareholding		% shareholding	
Company	**direct**	**indirect**	**direct**	**indirect**
Group entities				
Caja Rural de Canarias, S.C.C. (a)	-	-	-	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	-	-	-	-
Caixa Rural Vila-Real, S.C.C. (a)	-	-	-	-
Caja Rural de Torrent, S.C.C. (a)	-	-	-	-
Caixa Rural Altea, S.C.C.V. (a)	-	-	-	-
Caixa Rural de Callosa de Sarria, C.C.V. (b)	-	-	-	-
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (b)	-	-	-	-
Credit Valencia Caja Rural, C.C.V. (c)	-	-	-	-
Caja Rural de Alginet, S.C.C.V. (b)	-	-	-	-
Caja Rural de Cheste, S.C.C. (b)	-	-	-	-
Caja Rural de Villar, C.C.V. (b)	-	-	-	-
Caja Rural la Junquera de Chilches, C.C.V. (b)	-	-	-	-
Caja Rural San Isidro de Vilafamés, C.C.V. (b)	-	-	-	-
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (b)	-	-	-	-
Caja Rural San Jose de Burriana, C.C.V. (b)	-	-	-	-
Caja Rural San José de Nules, S.C.C.V. (b)	-	-	-	-
Caja Rural San Roque de Almenara, S.C.C.V. (b)	-	-	-	-
Caja de Crédito de Petrel,Caja Rural, C.C.V. (b)	-	-	-	-
Caja Rural de Casinos, S.C.C. (c)	-	-	-	-
Caixa Rural Albalat Dels Sorells C.C.V.	-	-	-	-
Caixa Rural de Turís C.C.V.	-	-	-	-
Alquileres Alameda 34, S.L. (b)	8,33%	-	8,33%	-
Cajamar Gestión, S.A.U.	100,00%	-	100,00%	-
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U.	100,00%	-	100,00%	-
Cimenta2 Gestión e Inversiones, S.A.U. (i)	100,00%	-	-	-
Cimenta2 Gestión e Inversiones, S.L.U. (i)	-	-	100,00%	-
Eurovía Informática, A.I.E.	81,00%	19,00%	95,00%	5,00%
Eurovía Tecnología S.L.U.	-	100,00%	-	100,00%
Gestión de Iniciat. Empres. y Soc. del Medit. S.L.U. (GIESMED) (b) (i)	-	-	100,00%	-
Giesmed Parking, S.L.U. (b)(d)	-	100,00%	-	100,00%
Grupo Hispatec Informática Empresarial, S.A.U.	100,00%	-	100,00%	-
Hotel Envia Golf, S.L. (d)	-	100,00%	-	100,00%
Inmuebles Alameda 34, S.L. (b)	4,62%	-	4,62%	-
Parque Industrial Acceso Sur, S.L. (g)	70,00%	-	70,00%	-
Sumando Recursos, S.L.U. (e)	100,00%	-	-	100,00%
Sunaria Capital, S.L.U.	100,00%	-	100,00%	-
Talia Formación S.L.U.	-	100,00%	-	100,00%
Tarket Gestión, A.I.E.	80,00%	20,00%	94,00%	6,00%
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%	-
Apartamentos Media Luna, S.A. (d)	-	50,00%	-	50,00%
Balsa de Insa, S.L. (h)	-	24,50%	-	24,50%
Banco Inversis, S.A. (j)	-	-	9,04%	-
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%
Habitat Utiel, S.L. (d)	-	25,00%	-	-
Inversiones Turísticas y Hoteleras INMO, S.L. (j)	-	-	-	19,71%
Murcia emprende S.C.R., S.A.	25,00%	-	25,00%	-
Occidental Arroyomolinos, S.L.	-	25,00%	-	25,00%
Parque Científico- Tecnológico de Almería, S.A.	30,05%	-	30,05%	-
Proyecta Ingenio, S.L.	-	24,90%	-	24,90%
Renovables la Unió, S.C.P. (i)	-	25,00%	-	-
Sabinal Agroservicios, S.L.	50,00%	-	50,00%	-
Savia Biotech, S.A. (j)	-	-	19,23%	-
Solaes Fruits, S.L. (h)	-	25,00%	-	-
Tino Stone Group, S.A.	24,96%	-	24,96%	-

(a) entities integrated in Grupo Cooperativo during the year 2012
(b) entities integrated in Grupo Cooperativo after merger with Caja Rural del Mediterráneo, Ruralcaja, S.C.C.
(c) entity absorbed during 2013
(d) direct participation through Cimenta2 Gestión e Inversiones , S.A.U.
(e) entity integrated in portfolio during 2013 after merger with Credit Valencia, S.C.C.
(f) merger by absorption of Cimenta2 Gestión e Inversiones, S.L.U. and GIESMED by Cimenta2 Gestión e Inversiones, S.A.U.
(g) entity integrated in the portfolio during 2012 as a consequence of the merger with Caja Rural Castellón, S.C.C.V.
(h) indirect participation through Caja Rural Vila-Real, S.C.C.
(i) indirect participation through Caja Rural Sant Vicent Ferrer de la Vall D'uixo, S.C.C.V.
(j) sold entity from the portfolio available for sale to permanent portfolio in 2013

Changes in shareholdings in 2013 that affect the scope of consolidation are as follows:

Acquisitions or increase of participation in depending entities, joint ventures or associates at 31 December 2013

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)		
Cimenta2 Gestión e Inversiones, S.A.U. (1)	Dependent	10/04/2013	-	-	100.00%	100.00%
Eurovía Informática, A.I.E. (2)	Dependent	04/11/2013	-	-	3.00%	95.00%
Tarket Getión, A.I.E. (2)	Dependent	04/11/2013	-	-	3.00%	94.00%
Solaes Fruit, S.L. (3)	Associate	31/03/2013	-	-	25.00%	25.00%
Renovables la Unión, S.C.P. (3)	Associate	31/03/2013	-	-	40.00%	40.00%
Habitat Utiel, S.L. (3)	Associate	30/06/2013	-	-	25.00%	25.00%

Decrease of participation in depending entities, joint ventures or associates or other similar transactions at 31 December 2013

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)
Caja Rural Canarias, S.C.C. (4)	Dependent	04/11/2013	-	-	-
Credit Valencia Caja Rural, C.C.V. (4)	Dependent	04/11/2013	-	-	-
Caja Rural de Casinos, S.C.C. (4)	Dependent	04/11/2013	-	-	-
Eurovía Informática, A.I.E. (5)	Dependent	22/03/2013	17.00%	78.00%	-
Tarket Getión, A.I.E. (5)	Dependent	23/03/2013	17.00%	77.00%	-
Cimenta2 Gestión e Inversiones, S.L.U. (6)	Dependent	04/06/2013	100.00%	-	-
Gestión de Iniciativas Empresariales y Sociales del Mediterráneo, S.L.U. (GIESMED) (6)	Dependent	04/06/2013	100.00%	-	-
Inversiones Turisticas y Hoteleras Inmo, S.L. (7)	Associate	17/05/2013	19.71%	-	125
Savia Biotech, S.A. (7)	Associate	15/10/2013	19.23%	-	20
Banco Inversis, S.A. (7)	Associate	05/11/2013	9.04%	-	11,227

(1) incorporation of a new company called Casogesa, S.A.U., which later changed its registered name to Cimenta2 Gestión e Inversiones, S.A.U.
(2) increase in the direct shareholding as a result of the merger with Credit Valencia Caja Rural, C.C.V., Caja Rural de Canarias, S.C.C. and Caja Rural de Casinos, S.C.C. (absorbed in 2013).
(3) increase in the indirectly held shareholding as a result of its transfer out of the available-for-sale portfolio.
(4) decrease in shareholding as a result of the merger with Credit Valencia Caja Rural, C.C.V., Caja Rural de Canarias, S.C.C. and Caja Rural de Casinos, S.C.C. (absorbed in 2013).
(5) decrease in shareholding as a result of the sale to Group entities consolidated in 2012 as a result of the merger with Caja Rural del Mediterráneo, Ruralcaja, S.C.C.
(6) decrease in shareholding as a result of the merger of Cimenta2 Gestión e Inversiones, S.L.U. (transferor) and GIESMED (transferor) into Cimenta2 Gestión e Inversiones, S.A.U. (transferee).
(7) decrease in shareholding as a result of the outright sale of this investment.

In 2013, the Parent Entity absorbed Credit Valencia Caja Rural, C.C.V., Caja Rural de Canarias, S.C.C. and Caja Rural de Casinos, S.C.C. (transferors).

In addition, Group companies Cimenta2 Gestión e Inversiones, S.L.U. (transferor) and Gestión de Iniciativas Empresariales y Sociales del Mediterráneo, S.L.U. (GIESMED) (transferor) merged into Cimenta2 Gestión e Inversiones, S.A.U. (transferee).

In 2013 the investments in Renovables la Unión, S.C.P., Habitat Utiel, S.L. and Solaes Fruit, S.L. were transferred out of the available-for-sale portfolio and were reclassified as investments held to maturity.

Following the merger described in Note 1.1, and the formation of the new Cajas Rurales Unidas Cooperative Group, the entities belonging to the former Grupo Cooperativo Cajamar and Grupo Cooperativo Cajas Rurales del Mediterráneo were included. The inclusion of the entities of the former Grupo Cooperativo Cajas Rurales del Mediterráneo resulted in turn in the consolidation of its subsidiaries.

In 2012 Caja Rural Canarias, Sociedad Cooperativa de Crédito, Caixa Rural San Vicent Ferrer de la Vall d'Uixó,Sociedad Cooperativa de Crédito Valenciana and Caixa Rural Católico Agraria, Sociedad Cooperativa de Crédito (Caixa Rural Vila Real, Sociedad Cooperativa de Crédito) were included the Cooperative Group, resulting in the consolidation of Balsa de Insa, S.L. with an indirect interest of 24.50%.

In addition, the merger by absorption of Caja Rural Castellón – San Isidro, Sociedad Cooperativa de Crédito Valenciana (target) was completed, with the resulting consolidation of Parque Industrial Accesosur, S.L. with a direct interest of 70%.

Similarly, the merger by absorption of the group companies Sunaria Capital, S.L.U. (acquiring company) and Cajamar Renting, S.L.U. (target) was completed.

During 2012 the investment in Banco Inversis SA was transferred from the available for sale portfolio to the long-term portfolio owing to the nature of the relationship with the Group and Parque Industrial Acceso Sur, S.L., owing to the increase in the interest held.

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 (Goodwill – Notes 3.9 and 11), the positive differences between the cost of acquisition and the aforementioned fair value 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 Cooperative Group operates in 2013 and 2012.

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.

<u>Classification of financial assets</u>

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. These fair values are corrected to include counterparty risk through the application of Credit Value Adjustment (CVA).

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) Reclasification 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 2013 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 2013 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.

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 2013 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 Cooperative 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 parent’s bylaws and those of the credit institutions making up the Cooperative Group are consistent with the recommendations of Spanish and international watchdogs concerning solvency and share capital such that the reimbursement of share capital contributions requires in all cases the prior and favourable resolution of 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.

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 be part of first class equity until December 31 2012, after that date, and in accordance with the amendments included in that Bank of Spain Circular 4/2011, only contributions recognised as equity will be considered to be capital. As indicated above, all the Group's capital contributions meet the requirements to be computed as tier 1 capital in both 2012 and next year 2013 (Tier 1 capital in accordance with the terminology used by the Basel Committee on Banking Supervision).

Share capital contributions of other credit institutions included in the Cooperative Group are classified in other equity instruments.

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 changed with respect to the age of the assets received as payment of debts rising to 20% in the event that the age exceeds 12 months and 30% when the age exceeds 24 months, and to 40% when the age exceeds 36 months. In the latter case the hedges may be replaced by the figures reflected in an appraisal at the date to which the financial statements refer.

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 asset will be subject of write off the consolidated balance of the Group only when one of these 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 updated 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 (Notes 2.7 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.

<u>Computer software developed internally</u>

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.

<u>Administrative concessions</u>

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.

<u>Goodwill</u>

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.

At 31 December 2013 the Group recognizes intangible assets with an indefinite useful life, i.e. goodwill on business combinations resulting from the merger process carried out in 2012 (Notes 1.5 and 13).

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 2013, the overall amount of assets expressed in foreign currency by the Group totals 49,398 thousand Euros (51,326 thousand Euros in 2012) and the overall amount of the liabilities items expressed in foreign currency 42,020 thousand Euros (45,529 thousand Euros in 2012) (Note 6.3).

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.

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

Provisions are quantified taking into account the best available information concerning the consequences of the event that originated them and are estimated at each accounting close. 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 2013 and 2012 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 Cooperative 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 said 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 the Cooperative Group does not limit the operation and management of Education and Development Fund to the Governing Body of the lead entity, but this responsability falls to the Govering Body of each entity forming part of the Group.

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.

Similarly, rule 124 of chapter 13 of Bank of Spain Circular 3/2008 sets out the reporting obligations resulting from Law 5/2005 for Mixed Groups.

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

Final provision 7 of Royal Decree 24/2012 (31 August) on the restructuring and resolution of credit institutions amended the core capital requirements to be met by consolidable groups of credit institutions and credit institutions not included in a consolidable group, which may raise reimbursable funds from the public, laid down by Royal Decree Law 2/2011(18 February), to strengthen the financial system. Royal Decree Law 24/2012 (14 November) was repealed by Law 9/2012 on the restructuring and resolution of credit institutions with identical content for these purposes.

Bank of Spain Circular 7/2012 (30 November), which develops Law 9/2012 (14 November), on the restructuring and resolution of credit institutions and in turn amends Royal Decree Law 24/20012, combined the general 8% core capital requirement and the 10% laid down for entities with difficulties accessing capital markets and for which wholesale financing prevails, in a single requirement of 9% which should be met by the aforementioned entities and groups as from 1 January 2013. The aforementioned Law has introduced an amendment to the definition of core capital in order to bring it into line with that used by the European Banking Authority while the Circular identifies applicable minimum core capital requirements.

In 2013, by means of Circular 4/2013, of 27 September, the Bank of Spain modified the definition of small and medium sized enterprises (SMEs) for solvency requirement purposes. The definition of SMEs was broadened to bring it in line with the approach prevailing in Europe, namely that taken in Commission Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. The modified definition means that a larger volume of credit entities' exposures can be reclassified as retail exposures for regulatory purposes, thereby benefitting from a more favourable treatment in terms of the calculation of risk-weighted asset exposures.

The European Commission published draft legislation on 20 June 2011 with a view to reinforcing the European banking system which is known as the CRD (Capital Requirements Directive). These proposals were approved by the European Parliament on 26 June 2013 and replace Directives 2006/48/EC (CRD II) and 2006/49/EC (CRD III), which, among other matters, regulate capital requirements and the modalities for the governance and supervision of credit institutions and investment firms that conduct business in one of the member states. The new Directive took effect on 1 January 2014. The Group has analysed the impact of the new regulations and is getting ready to apply them.

At 31 December 2013 and 2012, the Cooperative Group and the Mixed Group's computable equity exceeded the amount required by those regulations (Note 20).

Owing to the recognition of the Cajas Rurales Unidas Cooperative Group as a consolidable group for the purposes of Rule 2 of Bank of Spain Circular 3/2008 on (22 May), on the determination and control of minimum capital, the Bank of Spain granted authorization and exempted the Group entities from compliance with the solvency requirements and limits for major risks on an individual basis.

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.

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. They were amended through the publication of Royal Decree Law 24/2012 (31 August).

The Management Committee of Fondo de Garantía de Depósitos de Entidades de Crédito, in order to restore the Fund's equity sufficiency in accordance with Article 6.2 of Royal Decree Law 16/2011 (14 October), agreed on 30 July 2012 to ask member entities for an extraordinary payment, distributed according to the contribution calculation base at 31 December 2011, payable through 10 equal annual instalments. The amounts of these instalments which should be paid on the dates concerned may be deducted from the ordinary annual contribution which, if appropriate, is paid by the entity on that same date and up to the amount of the ordinary instalment.

In addition, with a view to maintaining the financial health of the Credit Institutions' Deposit Guarantee Fund, so that it can fulfil its role in stabilising the Spanish financial system, Royal Decree-Law 6/2013, of 22 March, stipulates a special one-time contribution to the fund of 0.003% of eligible deposits. This contribution will be made in two instalments. The first, equivalent to 40% of the total, for which the fund may agree a series of deductions related to the size of the contributing entities, their contributions to SAREB, Spain's so-called bad bank, or the receipt of public aid. The second tranche, covering the remaining 60%, will be payable starting in 2014 and over a maximum period of seven years, in keeping with the payment schedule set by the fund's Management Committee. In order to account for this obligation, the Group has decided to early apply IFRIC 21 on Levies.

In 2013 and 2012, expenditure incurred in respect of (ordinary and additional) contributions by Group Entities to the Fund totaled €58,545 thousand and €44,601 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 recognised in this respect in 2013 includes the expense in connection with the additional contribution stipulated by Royal Decree-Law 6/2013 (22 March) in the amount of €11,643 thousand, while the expense recognised in 2012 included an additional contribution to the Fund in the amount of €8,566 thousand, as provided for in Royal Decree-Law 16/2011.

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 2013 and 2012 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:

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

  These items are recognized in the income statement using the following criteria:

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

- In the statement of changes in equity: the changes in the value of the liability/asset as a result of actuarial gains or losses, the return on plan assets, excluding the amount included in net interest on the liability/asset, and changes in the present value of the asset as a result of changes in the present value of the cash flows to which the Group is entitled, insofar as not included within net interest on the liability/asset. The amounts recognised in the statement of changes in equity are not reclassified to profit or loss in subsequent years. All obligations arising under defined benefit plans are appraised by a qualified actuary.

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

Other long-term remuneration for the benefit of employees

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

Severance benefits

Severance benefits are recorded under the heading "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

The pension commitments assumed by the Group corresponding to employees who provide their services to the Group's credit institutions are governed by the prevailing collective bargaining agreement and, as warranted, the corresponding Governing Board resolutions, as ratified at the General Assemblies.

The employees of Cajas Rurales Unidas have set up a pension plan which is managed by Cajas Rurales Unidas. However, there are several plans, depending on the entity from which the employees in question originated:

- The employees joining the Group from Cajamar have a pension plan that is regulated by the Regulation of 23 December 1993 and adapted to Law 8/1987 regulating pension plans and funds, within Fondo Cajamar VI, Fondo de Pensiones; Cajamar Vida, S.A. de Seguros y Reaseguros is the fund's management company and Cajas Rurales Unidas is the depositary agent.
- The employees joining the Group from Caja Rural del Mediterráneo which have joined the Cajas Rurales Unidas pension plan as unit holders retain their rights in the R.G.A., Fondo de Pensiones pension fund (depositary: Banco Cooperativo Español); the plan is to transfer these entitlements from R.G.A., Fondo de Pensiones to Fondo Cajamar VI, Fondo de Pensiones in 2014. They also hold certain rights in the Cajas Rurales Unidas pension plan.
- The employees joining the Group from Caja Rural de Castellón which have joined the Cajas Rurales Unidas pension plan as unit holders retain their rights in the R.G.A., Fondo de Pensiones pension fund (depositary: Banco Cooperativo Español); the plan is to transfer these entitlements from R.G.A., Fondo de Pensiones to Fondo Cajamar VI, Fondo de Pensiones in 2014. They also hold certain rights in the Cajas Rurales Unidas pension plan.
- The employees joining the Group from Caja Rural de Canarias which have joined the Cajas Rurales Unidas pension plan as unit holders retain their rights in the R.G.A., Fondo de Pensiones pension fund (depositary: Banco Cooperativo Español).
- The employees joining the Group from Caja Rural de Casinos which have joined the Cajas Rurales Unidas pension plan as unit holders retain their rights in the RURALCAMPO Fondo de Pensiones pension fund, which is managed by RGA (depositary: Banco Cooperativo Español).

The employees of certain of the other entities have set up varying pension plans:

- The employees of Caja Rural de Altea have a pension plan in the R.G.A., Fondo de Pensiones pension fund, which is managed by RGA (depositary: Banco Cooperativo Español).
- The employees of Caja Rural de Alginet, Caja Rural de Turis, Caja Rural de Villar, Caja Rural de Alqueries and Caja Rural de Torrent have a pension plan in the Ruralcampo Fondo de Pensiones pension fund, which is managed by RGA (depositary: Banco Cooperativo Español).

At present, the Group has taken out insurance policies with Generali and Cajamar Vida, S.A. de Seguros y Reaseguros to cover situations in which the required contribution is higher than the limit for pension funds. In addition, the commitments assumed with the Group employees originating from various banking entities from which the Group acquired a portion of their branch networks and certified to have been working for these entities since before 8 March 1980 have been underwritten by the Group with insurer Rural Vida, S.A. de Seguros y Reaseguros. Also, all the savings banks - Cajas Rurales Unidas and all the other savings banks - have taken out insurance with Generali de Seguros y Reaseguros in order to underwrite the defined benefits under the collective bargaining agreement related to the long-service award due on retirement.

The Entities have also taken out policies with Rural Vida S.A. in relation to commitments with pensioners covering retirement benefits and life and disability insurance cover.

In terms of defined contribution commitments, the Group has committed to make an annual contribution to the employees of Cajas Rurales Unidas who have been in employment for at least two years or are employed under permanent contract and are not included in the defined benefit pension top-up plan, integrated in Subplan B of the Pension Plan, in an amount corresponding to 37.5% of total ordinary wages corresponding to the month of November, and at least 100% of the minimum monthly salary. Note, however, that these contributions have been suspended for 2013 and 2014.

The contribution commitment made to the employees of Caja Rural de Canarias, which has been extended in the wake of the merger until year-end, is to make a fixed monthly contribution calculated by dividing a total sum proportionately among the workforce.

A monthly contribution is made to the employees of Caixa Rural Altea and Caixa Rural de Torrent depending on their job titles.

The defined benefit commitments recognized are:

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

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

- Payments in the event of death or total disability (€23.03 thousand), workplace accident (€46.06 thousand) or certified major disability (€76.6 thousand) for all Entity employees.

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

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

The Group had not entered into commitments in respect of terminations other than those provided for in the Plan at either 31 December 2013 or 2012.

On 31 December 2013 and 2012, 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 Grupo Cooperativo Cajas Rurales Unidas	2013		2012	
	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%	3.50%	4.00%	3.50%
Collective Labour Agreement for banks	4.00%	3.50%	4.00%	3.50%
Yield on assets				
Pension plan	4.00%	-	4.00%	-
Collective Labour Agreement for banks	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 in pensions	75% salary increment	-	75% salary increment	-
Maximum Social Security Pension (in thousands of euros)	35.6	35.6	35.3	35.3
Annual revaluation of the maximum monthly Social Security pension	2.00%	-	1.50%	-
Annual increase in the Social Security contribution bases	According to CPI	-	According to CPI	-

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

	Expected return on assets	
	2013	2012
Pension Plan	4.00%	4.00%
Banks	4.00%	4.00%
Early retirement	3.50%	3.50%

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 Norm 43 of Circular 4/2004 of the Bank of Spain (December 22), 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.

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

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

- The existence of a significant minority group when there is no majority controlling group. The acquirer will be, of the entities combined, that whose owners as a group have the largest minority interest.

- The Board of Directors or equivalent body, resulting after the combination. The acquirer will be the entity of those combined whose owners, as a group, have the capacity to choose, appoint or dismiss the majority of the members of the Board of Directors or equivalent body.

- The key personnel of the combined entity's management. The acquirer will be the entity, of those combined, whose key management personnel, prior to the combination, controls the key management personnel of the combined entity.

- The conditions for exchanging equity instruments. The acquirer will be the entity that pays a premium over the fair value of the equity instruments, prior to the combination date, of the other entities combined.

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

- The acquiring company will include in its financial statements, or the consolidated accounts, the assets, liabilities and contingent liabilities of the acquired company, including the intangible assets not recognised by the latter, that on that date complies with the requirements to be recognised as such, measured at fair value calculated in accordance with the valuation criteria indicated in the 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.

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 14).

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, the group’s entities, 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 a SIP, the entities have recorded in their individual financial statements, at 31 December 2012, 31 December 2011 and 31 December 2010, certain assets at their fair value.

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 Cooperative 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 Cooperative Group's financial instruments at 31 December 2013 and 31 December 2012, 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 2013 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	498,759	498,759	-	-	498,759
Financial liabilities held for trading	607	-	108	497	2
Other financial assets designated at fair value with changes in P&L	19,136	-	-	-	19,136
Available-for-sale financial assets	3,208,204	-	2,933,945	48,458	221,361
Loans and receivables	34,530,994	34,530,994	-	-	34,530,994
Held-to-maturity investments	38,741	39,768	37,903	1,865	-
Hedging derivatives	127,043	127,043	-	127,043	-
TOTAL ASSETS	**38,423,484**	**35,196,564**	**2,971,955**	**177,864**	**35,270,253**

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Financial liabilities held for trading	58,258	-	-	58,258	-
Other financial assets designated at fair value with changes in P&L	-	-	-	-	-
Financial liabilities at amortised cost	38,797,639	38,797,639	-	-	38,797,639
Hedging derivatives	7,251	-	-	7,251	-
TOTAL LIABILITIES	**38,863,148**	**38,797,639**	**-**	**65,509**	**38,797,639**

The table of consolidated financial assets and liabilities at fair value at 31 December 2012 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	366,434	346,487	2,830	-	343,657
Financial liabilities held for trading	2,949	2,949	671	2,279	-
Other financial assets designated at fair value with changes in P&L	1,070	1,070	67	-	1,003
Available-for-sale financial assets	1,363,057	1,363,057	852,876	398,506	106,458
Loans and receivables	35,762,724	35,581,222	-	-	35,581,222
Held-to-maturity investments	1,971,969	1,946,935	1,768,164	178,771	-
Hedging derivatives	192,657	192,657	238	192,419	-
TOTAL ASSETS	**39,660,860**	**39,434,379**	**2,624,845**	**771,975**	**36,032,341**

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Financial liabilities held for trading	69,777	-	4	69,773	-
Other financial assets designated at fair value with changes in P&L	-	-	-	-	-
Financial liabilities at amortised cost	39,889,977	38,571,661	-	-	38,571,661
Hedging derivatives	9,898	-	241	9,657	-
TOTAL LIABILITIES	**39,969,652**	**38,571,661**	**245**	**79,430**	**38,571,661**

3.28 Mutualisation of results

The mutualisation of results consists of the obligation of reciprocal financial assistance in the form a solvency and liquidity guarantee between the members of the group, in accordance with the provisions of Articles 80.8 of EC Directive 48/2006 and 26.7 of Royal Decree 216/2008, Rule 15 of Bank of Spain Circular 3/2008 and through the reference to Article 8.3.d) of Law 13/1985.

The maximum amount which each Group company commits in order to provide financial assistance to guarantee the solvency of another or other group entities stands at 100% of total capital.

Each year the entities making up the Group will contribute 100% of gross results to build a fund which will be distributed between entities in proportion to the interest of each of them in the system.

Each Entity's interest in the system is measured through the percentage that the average total assets (TAA) of each represent over the Group's TAA. TAA will be understood as the arithmetic average of Total assets on the reserved balance sheet for the three months prior to the calculation date. Appendix I includes the interest percentage of each entity in the Group's results.

The interest in the system will remain steady for five year periods unless any of the extraordinary circumstances indicated below arise:

- A change in the number of entities forming part of the Cooperative Group;

- The existence of a merger operation, by absorption or through a newly created entity, in which at least one of the Cooperative Group entities participates;

- The existence of an acquisition or assignment of assets and / or liabilities involving at least one entity of the Cooperative Group.

The results mutualisation system is a mechanism for Group integration in order to strengthen the economic unit which is the basis on the Group's consolidation.

4. Errors and changes in accounting estimates

In 2013 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 2013 and 31 December 2012 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 2013 and 2012.

IAS19, which governs the accounting treatment of employee benefits, was amended in 2013. The amendments imply changes in the accounting treatment of defined benefit plans; going forward all actuarial gains and losses have to be recognised immediately in equity and other recognised income and expense within the Entity's statement of recognised income and expense. In addition, the interest cost and expected return on defined benefit plan assets are replaced under the amended standard by a net interest amount that is calculated by applying the interest rate used to estimate the present value of the net liability at the start of the year to the net defined benefit liability (asset). Lastly, the amendments have the effect of changing the presentation of the various cost items in the income statement. At 31 December 2013, the actuarial loss and gains recognised under "Reserves" in equity amount to €533 thousand. The changes introduced by the amended standard are to be accounted for retrospectively; however the Entity has not re-stated the 2012 figures as the impact of the amendments was not material.

The Parent Entity had been unable by year-end 2012 to conclude the measurement process in order to use the acquisition method to account for the business acquisition deriving from the merger with Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito; accordingly, the business combination was accounted for using provisional amounts at year-end based on the best estimate at the acquisition date of the fair values of the assets acquired and the liabilities assumed. Aside from the provisional adjustments made to the 2012 separate financial statements, in 2013, and on the basis of new information obtained by the Parent Entity, the Group re-estimated the fair values of the assets and liabilities of Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito, thereby determining the definitive amount of goodwill recognised as a result of comparing the cost of the business combination and the fair value of the assets acquired net of the liabilities and contingent liabilities assumed (Notes 1.5 and 13). As a result, and as stipulated in IFRS 3, the Governing Board of the Parent Entity has restated its 31 December 2012 balance sheet and income statement to reflect the definitive measurement of the aforementioned business combination.

The table below presents the balance sheet at 31 December 2012 and the income statement for the year then ended, the adjustments deriving from the aforementioned business combination and the restatements made to the foregoing:

	Thousands of euros		
	2012	**Adjustments**	**Restated**
Cash and balances with central banks	**366,434**	-	**366,434**
Financial liabilities held for trading	**2,949**	-	**2,949**
Other financial assets at fair value through profit or loss	**1,070**	-	**1,070**
Available-for-sale financial assets	**1,363,057**	-	**1,363,057**
Loans and receivables	**35,762,725**	**(228,698)**	**35,534,027**
Loans and advances to credit institutions	1,505,492	-	1,505,492
Loans and advances to other debtors	34,257,233	(228,698)	34,028,535
Debt securities	-	-	-
Memorandum item: Loaned or advanced as collateral	*15,174,328*	-	*15,174,328*
Held-to-maturity investments	**1,971,969**	-	**1,971,969**
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	-	**-**
Hedging derivatives	**192,657**	-	**192,657**
Non-current assets held for sale	**392,296**	-	**392,296**
Investments	**61,734**	-	**61,734**
Tangible assets	**907,179**	-	**907,179**
Intangible assets	**151,986**	**208,329**	**360,315**
Goodwill	113,304	9,087	122,391
Other Intangible assets	38,682	199,242	237,924
Tax assets	**879,415**	**58,409**	**937,824**
Current	28,057	-	28,057
Deferred	851,358	58,409	909,767
Other assets	**1,043,818**	-	**1,043,818**
TOTAL ASSETS	**43,097,289**	**38,040**	**43,135,329**

	Thousands of euros		
	2012	**Adjustments**	**Restated**
Financial liabilities held for trading	**69,777**	**-**	**69,777**
Other financial liabilities at fair value through profit or loss	**-**	**-**	**-**
Financial liabilities at amortised cost	**39,896,976**	**(17,252)**	**39,879,724**
Deposits from central banks	5,139,984	-	5,139,984
Deposits from credit institutions	2,696,039	-	2,696,039
Deposits from other creditors	29,854,729	-	29,854,729
Debt certificates including bonds	1,582,751	(62)	1,582,689
Subordinated liabilities	156,468	(17,190)	139,278
Other financial liabilities	467,005	-	467,005
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	**-**	-
Hedging derivatives	**9,898**	**-**	**9,898**
Liabilities associated with non-current assets held for sale	-	**-**	-
Provisions	**191,348**	-	**191,348**
Tax liabilities	**86,991**	**55,292**	**142,283**
Current	25,081	-	25,081
Deferred	61,910	55,292	117,202
Education and Development Fund	**15,680**	**-**	**15,680**
Other liabilities	**334,241**	**-**	**334,241**
Capital repayable on demand	**-**	**-**	**-**
TOTAL LIABILITIES	**40,604,911**	**38,040**	**40,642,951**

	Thousands of euros		
	2012	**Adjustments**	**Restated**
Own funds	**2,504,472**	**-**	**2,504,472**
Capital	2,003,748	-	2,003,748
Share premium	-	-	-
Reserves:	1,377,687	(638)	1,377,049
Other Equity instruments	75,679	-	75,679
Less: Treasury shares	-	-	-
Profit for the period attributed to parent	(939,144)	638	(938,506)
Less: Dividend and remuneration	(13,498)	-	(13,498)
Valuation adjustments	**(12,929)**	**-**	**(12,929)**
Available-for-sale financial assets	(12,756)	-	(12,756)
Entities accounted for by the equity method	(173)	-	(173)
Minority interest	**835**	**-**	**835**
TOTAL EQUITY	**2,492,378**	**-**	**2,492,378**
TOTAL LIABILITIES AND EQUITY	**43,097,289**	**38,040**	**43,135,329**

	Thousands of euros		
	2012	**Adjustments**	**Restated**
Interest and similar income	**1,138,337**	-	**1,138,337**
Interest expense and similar charges	**(569,747)**	(882)	**(570,629)**
Remuneration of capital repayable on demand	**-**	-	**-**
A) NET INTEREST INCOME	**568,590**	**(882)**	**567,708**
Return on equity instruments	**2,157**	-	**2,157**
Return on Entities accounted for by the equity method	**9,601**	-	**9,601**
Fee and commission income	**183,337**	-	**183,337**
Fee and commission expense	**(30,196)**	-	**(30,196)**
Gains or losses on financial assets and liabilities (net)	**86,231**	-	**86,231**
Exchange differences (net)	**2,118**	-	**2,118**
Other operating income	**50,805**	-	**50,805**
Other operating expenses	**(109,172)**	-	**(109,172)**
B) GROSS INCOME	**763,469**	**(882)**	**762,587**
Administrative expenses	**(377,479)**	-	**(377,479)**
Depreciation and amortisation	**(46,257)**	(4,365)	**(50,622)**
Provisioning expenses (net)	**(77,380)**	-	**(77,380)**
Impairment losses on financial assets (net)	**(1,179,680)**	5,885	**(1,173,795)**
Loans	(1,160,246)	*5,885*	(1,154,361)
Financial instruments not measured at fair value through Profit & Loss	(19,434)	-	(19,434)
C) NET OPERATING INCOME	**(917,328)**	**638**	**(916,690)**
Impairment losses on rest of assets (net)	**(308,473)**	-	**(308,473)**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	**(9,982)**	-	**(9,982)**
Negative difference un business combinations	**-**	-	**-**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(42,741)**	-	**(42,741)**
D) PROFIT BEFORE TAX	**(1,278,524)**	**638**	**(1,277,886)**
Income tax	**343,328**	-	**343,328**
Assigned to the Education and Development Fund	**(4,040)**	-	**(4,040)**
E) PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**(939,236)**	**638**	**(938,598)**
Profit or loss discontinued operations (net)	**-**	-	**-**
F) CONSOLIDATED PROFIT OR LOSS FOR THE PERIOD	**(939,236)**	**638**	**(938,598)**
Profit attributed to parent	(939,145)	638	(938,507)
Profit attributed to minority interest	(91)	-	(91)

5. Distribution of results

The proposal for distributing the Lead Entity's profits in 2013 that the Governing Body will submit for the approval of the General Assembly, together with that for 2012, is as follows:

	Thousands of euros	
	2013	**2012**
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax (*)	**76.923**	**(950.950)**
Profit from Cajamar Caja Rural, Sociedad Cooperativa de Crédito, applied for disolution	**-**	**(997.416)**
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax from Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	**76.923**	**46.466**
Interest on capital contributions (Note 18)	(75.955)	(12.226)
Total distributable or available surplus (Note 1.4.)	**968**	**34.240**
To mandatory reserve fund	726	25.680
To voluntary reserve fund	145	5.136
To Education and Development Fund - mandatory transfer (Notes 3.14 y 20)	97	3.424
Total distributed	**968**	**34.240**

(*) Excluding the restated figures for 2012 (Note 4).

The proposal for 2012 and the subsequent distribution was approved by the General Assembly on 27 June 2013.

6. Risk management

The parent entity Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, following its formation, during the first meeting of the Governing Board of 12 November 2012, approved all risk management manuals and policies and adopted as its own those in effect previously, for Cajamar Caja Rural, Sociedad Cooperativa de Crédito.

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 Cooperative Group (Note 1.1) maintained, before entering into the group, risk management objectives and policies that do not differ significantly from those applied by the Parent Company.

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 summarise, it will suffice to say that all risks are managed prudently so that (i) credit risk relates basically to financing granted to families and SMEs; (ii) liquidity ratios are high and dependence on wholesale markets is moderate; (iii) the vast majority of loans bear variable rates; (iv) operational losses are low and relate mostly to small operations; and (v) market risk exposure is moderate and instrumental, since financial instrument trading portfolios are 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 organisational structure of which encompass all the above-mentioned risks, as explained below.

6.2. Credit risk and credit concentration risk

The Group’s Credit Risk Policy and Procedures Manual, which is updated regularly, regulates: (i) the principles and criteria that should guide credit policy; (ii) the credit risk management and control polices; (iii) the bodies responsible for these risk management and control duties; and (iv) the procedures in place for facilitating said management and control.

The most important sections of this Manual are extracted here to provide the reader with a better understanding of its contents and scope.

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

a.1) The basic principles are established by the 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 fulfilment of the credit policy in general and the individual and aggregate acceptance limits in particular, as well as ensuring the correct rating and coverage of credit risks.

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

  In order to guarantee 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 Board and it Executive Comission the establishment of criteria, policies and bodies responsible for credit risk management and control,

  - the CEO the definition of the responsible bodies for the management and credit risk control, and also the management procedures

  - lastly the Control and Intervention Body define the procedures to monitor such risk.

- **Principle of consistency:** As one of the main credit portfolio management criteria is diversification, a common and consistent measure must be in place to quantify credit risk in 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 Lead Entity 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 Lead Entity 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 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 Lead Entity 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 summarised 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 fulfil 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 optimise management of loan recovery options. This entails defining a borrower rating system that defines the risk policy to be implemented when certain alerts are notified.

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

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

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

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

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

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

b) Parameters defining the credit policy

b.1) Credit risk concentration limits

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

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

The Group has defined a set of precise criteria for segmenting its credit operations, giving rise to 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%**	**2. Corporate:**	**40%**
1.1. Home	**60%**	**2.1. Developers:**	**15%**
Normal	60%	Developer	15%
Other users	12%	Land	3%
1.2. Other financing for families	**10%**	Other developers	3%
Micro-consumption	3%	**2.2. Corporate agri-food**	**15%**
Automobiles	5%	**2.3. SMEs:**	**15%**
Other goods and services	10%	Small	10%
1.3. Automatically renewable:	**5%**	Medium	10%
Credit cards	5%	**2.4. Large businesses:**	**10%**
Overdrafts	1%		
1.4. Small businesses:	**20%**	**3. Public administrations:**	**15%**
Business activity of individuals	15%		
Micro-businesses	15%	**4. Non-profit organisations:**	**5%**
1.5. Agri-food retail:	**20%**		
Horticulture under plastic	15%	**5. Financial intermediaries:**	**5%**
Other agri-food sector	15%		

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

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

% of Own Funds	
Creditor or group limit	10%
Relevant exposure	4%
Sum of relevant exposition limit	400%

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

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

- 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 (two levels)
    - Territorial Risk Committees
    - 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.
    - Included in default files as RBT or ASNEFF for significant non-payments or with refunds of trade discounts of more than 10% of the volume discounted.
    - Belonging to the promotor segment.

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

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

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

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

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

  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 € 2,000 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:

Good subject to guarantee

1. Home	**% LTV**
1.1. Borrower habitual residence	80%
1.2. Other Uses	70%
2. Offices, building for commercial premises	**70%**
3. Land for building	**50%**
4. Rural land	
4.1. Intensive horticulture exploited land	70%
4.2. Other exploited land	50%
5. Rest of properties	**50%**
6. Monetary deposists	**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.

Guarantee assurance policy

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

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

- It should cover at least the damages deriving from claims which may affect the container.
- The sum insured must be at least equal to the value for insurance purposes recorded in the valuation certificate.
- It should reflect the express declaration that the insurance company is aware of the existence of the creditor until the loan has been fully repaid.

Internal authorization of valuation companies.

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

In order to be authorised, a valuation company must fulfil 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 fulfil the following requirements:
  - Issued by a valuation company authorised 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.3) Rules for measuring customer payment capacity

The analysis performed before a loan is granted must study and measure the borrower's capacity to meet scheduled repayments. 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.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.4) 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.5) 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:

- It will be necessary to appreciate that the customer clearly has the will to pay.

- The customer should have been a customer for at least two years and have a payment record of no delays for at least one year before he starts having difficulties in settling his obligations or alternatively, he has settled at least 20%of the risk granted or evidences his intention to pay.

- 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.

Note 27.4 provides the required disclosures regarding refinanced and restructured transactions.

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

The principal body responsible for the credit risk management and control system is the Lead Entity 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 fulfil these policies, the reasons must be placed on record.

  - Credit risk acceptance area:

The area's functions are to (i) analyse, from a technical viewpoint, and report on the credit operation proposed by the Commercial Network; (ii) participate in decision-taking, forming part of the delegate bodies, and oversee compliance with established policy; (iii) manage loan arrangement, ensuring that agreements faithfully reflect the grant terms; (iv) propose the authorisation 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.

- **Organisation**

  The area's work is divided into three offices:

  - ***Risk Territorial Units**:* Units in Territorial Management responsible for analysing and reporting those transactions which given their amount or other characteristics should be approved by the respective Territorial Committee or superior body.

  - ***Conditioned Utilisation and Administration***: This unit manages and controls: (i) operational concession until the credit risk is formalised, (ii) the risk concession allocation arrangement, and (iii) the establishment of oversight measures that minimise the instrumental and operation risk of the conditioned risk.

  - ***Formalisation***: Mainly responsible for: (i) the preparation and review of financing contracts and any documentation related to lending operations, (ii) control of external companies related to the formalisation processes and iii) the settlement of registration incidents.

  In its day to day work the department is in permanent contact with other departments and areas of the Entity, mainly with Territorial management, the Territorial Risk Committee, Credit Risk Control and Recoveries.

- **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 82.5% of the Entity's total credit risk, and all retail and corporate segment portfolios are evaluated, representing 54.2% 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**

Monitoring of the credit risk is understood as the permanent classification of operations and customers in order to establish an individual action policy which strengthens credit recovery expectations in the event of default.

Responsibility for defining the evaluation systems and rating loans and customers is attributed to 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:

Control of the credit and counterparty risk with financial institutions is handled by the Market and Operational Risk Control Area, which reports to Global Risk Control Management. The area is formed by two management groups, one of which is responsible for market and counterparty, liquidity and interest risk.

- **<u>Monitoring, measurement and control tools:</u>**

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

  - 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 80.3% of credit exposure.

    - Proactive scoring of natural persons
    - Proactive scoring of microenterprises
    - Follow-up scoring of intensive horticulture activities
    - SME ratings
    - Large companies 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 79.6% 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
    - Follow-up rating of large companies operations

  - Segar: Segar is the basic working tool at the Borrower Control office. It is a local department-type application which covers the entire information flow of internal and external databases together with alert and alarm systems.

  - 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:**

Since November 2007 information of the different credit rating models has been included in order to assign a credit policy to the customers assessed. The following credit policy options are defined:

Favourable: Customers showing good credit quality.

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

Restrictive: Customers showing clear signs of impaired credit quality.

At present, the follow-up models classify customers accounting for 97.2% of exposure under retail and for 50.4% of exposure under corporate.

- 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.Calificación de operaciones a través de modelos de seguimiento de operaciones.

  Similarly, given its special significance, there is a daily control of the interbank operating structure, controlling daily positions, the credit risk and effective collection of the principal and interest at maturity.

- Control over restructured loans

  The Risk Committee of the Governing Board is informed of the performance of restructured credit on a regular basis.

c.3) Impaired asset recovery phase:

- **Bodies involved**

  The recovery phase is performed mainly by 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 2013 and 2012.

	Thousands of euros	
	2013	2012 (*)
Loans and advances to other debtors	34,065,563	34,028,535
Credit institutions	483,380	1,505,492
Debt securities	3,120,900	3,198,338
Hedging securities	127,043	192,657
Contingent exposures	744,495	1,463,308
Total Risk	**38,541,381**	**40,388,330**
Credit available to third parties (Note 27)	1,606,598	1,627,986
Maximum exposure	**40,147,979**	**42,245,014**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo – Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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 2013 and 2012 is as follows:

	Thousands of euros					
	2013			2012 (*)		
Thousands of euros	Risk	Distribution (%)	Of which: Non-performing assets	Risk	Distribution (%)	Of which: Non-performing assets
Greater than 6.000	4,758,007	12.91%	1,630,748	5,221,371	14.18%	1,094,315
Between 3.000 y 6.000	4,563,514	12.38%	736,251	1,537,728	4.18%	502,280
Between 1.000 y 3.000	2,595,264	7.04%	1,172,113	2,823,238	7.67%	803,254
Between 500 y 1.000	1,841,851	5.00%	570,176	2,064,416	5.61%	438,994
Between 250 y 500	3,347,323	9.08%	626,800	3,726,873	10.12%	477,559
Between 125 y 250	8,487,065	23.02%	919,970	9,337,588	25.36%	765,740
Between 50 y 125	8,241,146	22.36%	490,997	8,873,254	24.10%	420,719
Between 25 y 50	1,774,849	4.81%	91,490	1,863,359	5.06%	78,986
Less than 25	1,252,132	3.40%	83,131	1,365,891	3.71%	89,989
Valuation adjustments	(2,813,540)			(2,785,183)		
Loans and advances to other debtors	**34,047,613**	**100.00%**	**6,321,675**	**34,028,535**	**100.00%**	**4,671,836**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo – Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

The following table shows loans and receivables utilized and contingent risks at 31 December 2013 and 2012 by segment, portfolio and sub-portfolio:

	Thousands of euros			
	2013		2012	
	Risk	Distribution (%)	Risk	Distribution (%)
Retail:	**25,050,319**	**68.62%**	**25,559,402**	**68.22%**
Home:	**15,813,487**	**43.32%**	**16,125,935**	**43.05%**
Normal	14,184,673	38.86%	14,527,643	38.78%
Other uses	1,628,814	4.46%	1,598,292	4.27%
Other financing for families:	**2,256,371**	**6.18%**	**2,301,297**	**6.14%**
Micro-consumption	88,568	0.24%	92,990	0.25%
Automobiles	145,508	0.40%	177,559	0.47%
Other goods and services	2,022,295	5.54%	2,030,748	5.42%
Automatically renewable:	**462,048**	**1.27%**	**502,554**	**1.34%**
Credit cards	429,582	1.18%	459,588	1.23%
Overdrafts	32,466	0.09%	42,966	0.11%
Small businesses:	**4,738,826**	**12.97%**	**4,847,302**	**12.93%**
Business activity of individuals	2,507,773	6.87%	2,552,376	6.81%
Micro-businesses	2,231,053	6.10%	2,294,926	6.12%
Agri-food retail:	**1,779,587**	**4.88%**	**1,782,314**	**4.76%**
Horticulture under plastic	847,349	3.43%	876,167	2.34%
Other agri-food sector	932,238	2.55%	906,147	2.42%
Corporate:	**9,526,388**	**26.10%**	**9,892,302**	**26.41%**
Developers:	**4,343,392**	**11.90%**	**4,761,810**	**12.71%**
Developer	2,324,416	6.37%	2,576,742	6.88%
Land	1,369,870	3.75%	1,451,036	3.87%
Other developers	649,106	1.78%	734,032	1.96%
Corporate agri-food	**2,233,298**	**6.12%**	**2,094,459**	**5.59%**
SMEs:	**2,318,071**	**6.35%**	**2,345,765**	**6.26%**
Small	1,494,617	4.09%	1,513,703	4.04%
Medium	823,454	2.26%	832,062	2.22%
Large businesses:	**631,627**	**1.73%**	**690,268**	**1.84%**
Public administrations:	**1,087,554**	**2.98%**	**1,332,038**	**3.56%**
Non-profit organisations:	**364,313**	**1.00%**	**396,185**	**1.06%**
Financial intermediaries:	**471,498**	**1.30%**	**280,118**	**0.76%**
Total Credit Portfolio	**36,500,072**	**100.00%**	**37,460,045**	**100.00%**

Note: the figures presented in the table above correspond to the information managed by the Loan Book Control Division and not the balance sheet figures. They include customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude amounts drawable due to subrogations), non-performing assets and loans securitised and derecognised; they do not include impairment charges.

Credit risk concentration by geographical sector and counterparty at the 2013 and 2012 year end is as follows:

Year 2013

	Thousands of euros				
	Total	**Spain**	**Rest of European Union**	**America**	**Rest of World**
Credit Institutions	448,705	330,927	117,580	-	198
Public Administration	3,831,231	3,828,417	2,814	-	-
Centran Administration	2,863,941	2,861,127	2,814	-	-
Rest	967,290	967,290	-	-	-
Other financial institutions	3,508,572	3,496,205	11,019	1,348	-
Non-financial corporations and individual entrepreneurs	11,379,436	11,350,273	1,774	25,612	1,777
Construction and property development	2,761,025	2,760,543	-	303	179
Constructions of civil work	108,648	108,028	-	-	620
Other purposes	8,509,763	8,481,701	1,774	25,310	978
Large enterprises	1,084,830	1,061,811	1,245	21,774	-
SMEs and individual entrepreneurs	7,424,933	7,419,890	529	3,536	978
Other homes and ISFLSH	19,555,908	19,397,192	6,047	128,064	24,605
Housing	16,056,089	15,901,605	5,830	125,724	22,930
Retail	1,951,479	1,947,822	38	2,302	1,317
Other purposes	1,548,340	1,547,764	179	38	359
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-
Total	**38,723,852**	**38,403,014**	**139,234**	**155,024**	**26,580**

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”.

Year 2012 (*)

	Thousands of euros				
	Total	**Spain**	**Rest of European Union**	**America**	**Rest of World**
Credit Institutions	2,533,664	2,368,708	164,754	-	202
Public Administration	3,455,703	3,452,651	3,052	-	-
Centran Administration	2,504,857	2,501,805	3,052	-	-
Rest	950,846	950,846	-	-	-
Other financial institutions	1,641,971	1,628,154	10,396	3,342	79
Non-financial corporations and individual entrepreneurs	13,588,030	13,563,484	22,605	591	1,350
Construction and property development	3,463,038	3,462,380	475	-	183
Constructions of civil work	122,514	121,723	-	-	791
Other purposes	10,002,478	9,979,381	22,130	591	376
Large enterprises	2,596,057	2,578,696	17,361	-	-
SMEs and individual entrepreneurs	7,406,421	7,400,685	4,769	591	376
Other homes and ISFLSH	20,682,713	20,514,730	139,090	5,661	23,232
Housing	15,628,052	15,466,271	135,200	5,627	20,954
Retail	2,026,637	2,023,240	2,292	34	1,071
Other purposes	3,028,024	3,025,219	1,598	-	1,207
Less: Value adjustments for impairment of assets not attributable to specific operations	(608,440)	-	-	-	-
Total	**41,293,641**	**41,527,727**	**339,897**	**9,594**	**24,863**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”.

Credit risk concentration by geographical sector and counterparty at the 2013 and 2012 year end is as follows:

<u>Year 2013</u>

	Miles de euros									
	Autonomous Communities									
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Cataluña**
Credit Institutions	330,927	68,623	3,442	-	710	6,257	13,731	98	3,708	13,271
Public Administration	3,828,417	416,259	-	-	13,883	24,372	-	1,865	30,920	53,534
Centran Administration	2,861,127	-	-	-	-	-	-	-	-	-
Rest	967,290	416,259	-	-	13,883	24,372	-	1,865	30,920	53,534
Other financial institutions	3,496,205	10,439	-	-	86	-	-	-	417	1,697
Non-financial corporations and individual entrepreneurs	11,350,272	3,475,545	32,609	2,344	192,507	409,581	13,428	172,737	508,598	370,888
Construction and property development	2,760,543	1,026,757	9,513	-	20,041	81,561	4,857	49,199	103,414	87,725
Constructions of civil work	108,028	52,990	29	-	237	4,461	-	999	322	1,380
Other purposes	8,481,701	2,395,798	23,067	2,344	172,229	323,559	8,571	122,539	404,862	281,783
Large enterprises	1,061,811	479,261	5,756	-	26,506	14,782	-	11,004	10,483	17,538
SMEs and individual entrepreneurs	7,419,890	1,916,537	17,311	2,344	145,723	308,777	8,571	111,535	394,379	264,245
Other homes and ISFLSH	19,397,193	6,106,992	30,891	6,703	315,892	431,415	10,536	192,755	579,680	1,546,728
Housing	15,901,605	4,959,962	22,630	5,484	244,944	318,793	9,068	158,607	481,802	1,437,746
Retail	1,947,824	354,217	1,580	824	48,133	53,349	928	22,807	34,049	80,162
Other purposes	1,547,764	792,813	6,681	395	22,815	59,273	540	11,341	63,829	28,820
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-	-	-
Total	**38,403,014**	**10,077,858**	**66,942**	**9,047**	**523,078**	**871,625**	**37,695**	**367,455**	**1,123,323**	**1,986,118**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**C. Valenciana**	**País Vasco**	**La Rioja**	**Ceuta y Melilla**
Credit Institutions	-	6,158	131,240	-	-	56,703	26,986	-	-
Public Administration	-	3,344	5,029	87,408	-	315,134	-	-	15,542
Centran Administration	-	-	-	-	-	-	-	-	-
Rest	-	3,344	5,029	87,408	-	315,134	-	-	15,542
Other financial institutions	-	30	3,476,625	3,147	66	587	3,111	-	-
Non-financial corporations and individual entrepreneurs	1,547	25,522	1,230,245	1,695,385	16,063	3,164,852	5,532	15,809	17,080
Construction and property development	148	10,501	320,442	279,575	7,721	749,840	2,236	14	6,999
Constructions of civil work	-	155	29,740	6,008	-	11,394	-	223	90
Other purposes	1,399	14,866	880,063	1,409,802	8,342	2,403,618	3,296	15,572	9,991
Large enterprises	-	1,831	339,722	81,628	2,781	65,414	297	4,785	23
SMEs and individual entrepreneurs	1,399	13,035	540,341	1,328,174	5,561	2,338,204	2,999	10,787	9,968
Other homes and ISFLSH	5,111	8,914	908,114	3,370,041	4,049	5,783,113	15,443	2,658	78,158
Housing	4,513	6,656	819,272	2,802,378	3,358	4,544,321	7,283	2,242	72,546
Retail	339	1,086	36,796	321,138	358	986,720	1,055	244	4,039
Other purposes	259	1,172	52,046	246,525	333	252,072	7,105	172	1,573
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-	-
Total	**6,658**	**43,968**	**5,751,253**	**5,155,981**	**20,178**	**9,320,389**	**51,072**	**18,467**	**110,780**

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under "Value adjustments for impairment of assets not allocable to specific operations".

Year 2012 (*)

Thousands of euros

	Total	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
	Autonomous Communities									
Credit Institutions	2,368,708	188,354	302	102	710	141,020	816,272	173	4,671	77,280
Public Administration	3,452,651	375,910	-	-	13,426	38,772	-	3,390	36,579	50,655
Centran Administration	2,501,805									
Rest	950,846	375,910	-	-	13,426	38,772	-	3,390	36,579	50,655
Other financial institutions	1,628,154	11,076	-	-	86	-	-	-	417	1,129,072
Non-financial corporations and individual entrepreneurs	13,563,484	4,619,425	35,617	1,543	201,234	594,085	14,028	187,025	564,216	388,993
Construction and property development	3,462,380	1,294,986	17,598	-	22,625	86,744	6,665	65,423	140,578	113,372
Constructions of civil work	121,723	50,579	39	-	452	8,587	-	1,175	390	2,286
Other purposes	9,979,381	3,273,860	17,980	1,543	178,157	498,754	7,363	120,427	423,248	273,335
Large enterprises	2,578,696	1,101,246	8,944	541	18,878	78,149	1,929	26,435	84,759	45,090
SMEs and individual entrepreneurs	7,400,685	2,172,614	9,036	1,002	159,279	420,605	5,434	93,992	338,489	228,245
Other homes and ISFLSH	20,514,730	5,615,383	27,265	6,983	323,742	387,174	10,192	199,355	602,029	1,630,596
Housing	15,466,271	4,326,849	18,579	5,737	257,227	227,428	8,886	162,859	502,641	1,507,906
Retail	2,023,240	382,866	1,959	852	48,822	9,117	968	25,290	32,542	89,873
Other purposes	3,025,219	905,668	6,727	394	17,693	150,629	338	11,206	66,846	32,817
Less: Value adjustments for impairment of assets not attributable to specific operations	(608,440)	-	-	-	-	-	-	-	-	-
Total	**40,919,287**	**10,810,148**	**63,184**	**8,628**	**539,198**	**1,161,051**	**840,492**	**389,943**	**1,207,912**	**3,276,596**

	Extremadura	Galicia	Madrid	Murcia	Navarra	C. Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit Institutions	-	38	528,462	1,007	-	575,263	35,054	-	-
Public Administration	-	1,045	5,645	102,384	-	308,484	-	-	14,556
Centran Administration									
Rest	-	1,045	5,643	102,384	-	308,484	-	-	14,556
Other financial institutions	-	19	481,700	3,104	61	1,151	1,468	-	-
Non-financial corporations and individual entrepreneurs	1,560	40,877	1,201,358	1,883,461	15,819	3,782,491	6,943	6,189	18,620
Construction and property development	181	19,744	398,541	349,670	10,647	925,153	2,237	-	8,216
Constructions of civil work	-	138	30,828	7,197	-	19,945	-	-	107
Other purposes	1,379	20,995	771,989	1,526,594	5,172	2,837,393	4,706	6,189	10,297
Large enterprises	398	12,471	464,855	330,308	4,269	395,934	1,084	2,653	753
SMEs and individual entrepreneurs	981	8,524	307,134	1,196,286	903	2,441,459	3,622	3,536	9,544
Other homes and ISFLSH	5,582	8,376	979,638	3,507,283	3,916	7,107,193	15,908	2,619	81,496
Housing	4,943	5,581	856,160	2,960,765	3,186	4,532,427	7,463	2,109	75,525
Retail	284	831	40,283	291,332	342	1,092,087	1,025	275	4,492
Other purposes	355	1,964	83,195	255,186	388	1,482,679	7,420	235	1,479
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-	-
Total	**7,142**	**50,355**	**3,196,803**	**5,497,239**	**19,796**	**11,774,582**	**59,373**	**8,808**	**114,672**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Total risk includes the following balance sheet items: loans and advances with credit institutions, loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and contingent exposures, after deducting value adjustments for specific hedging operations.

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”.

6.3. Market and Exchage-rate Risk

a) Risk policy: limits, diversification and mitigation

The Entity’s Governing Board has approved the update of the former market, foreign exchange, interest rate and liquidity risk manuals which have been recast and consolidated into a single manual; credit limits have been adapted to reflect the Group's new configuration. This new manual regulates: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk 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 authorised 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.
- Only Cajas Rurales Unidas, as Head Entity of the Group, may have exposition to market risk.
- 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) <u>Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports</u>

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

- 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.

c) <u>Management tools: measurement, communication, control and monitoring systems</u>

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.

At 31 December 2013 and 2012 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	
Assets	**2013**	**2012**
Cash and balances with central banks	2,715	1,659
Loans and advances to credit institutions	34,072	36,675
Other assets	12,610	12,992
Total	**49,397**	**51,326**

	Thousands of euros	
Liabilities	**2013**	**2012**
Deposits from credit institutions	2,535	1,336
Deposits from other creditors	38,702	40,238
Other liabilities	783	892
Total	**42,020**	**42,466**
Net position	**7,377**	**8,860**
Buy and sell currencies	**31,381**	**31,081**

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 1,795 thousand euros in 2013 (2,118 thousand Euros in 2012).

In 2013 and 2012 the Group did not record any "Exchange differences" under the heading "Measurement adjustments" in "Equity".

6.4. Operational risk

- **Risk policy: limits, diversification and mitigation**

In the Operational risk Manual, approved by the Parent Entity’s Governing Board, the following are regulated: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk management and control reports.

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

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group’s operational risks.
- Principle of functional independence: In order to establish the effective management of the Operational Risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.
- Principle of consistency, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of Operational Risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.
- Principle of transparency. In light of the need for a corporate culture of Operational Risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group’s Operational Risk approach.

- Principle of adapting to change. Due to the on-going changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change of the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the Operational Risk inherent in regulatory amendments.
- Principle of assurance. The Group's Entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems.

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. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

In order to assure this level of implementation, an analysis should be included of all the Group's credit institutions and special vehicle companies.

- **Organisation of the risks, powers, responsibilities and delegation function. Risk control function. Risk unit reports.**

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

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

- Governing Board's Risk Committee.
- Control Committee.
- Control General Management.
- Operational Risk Control.
- Coordinator network

- **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:

- 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.
- Action plans or proposals for improvement.

For the calculation of capital consumption caused by operational risk, since 2011 the necessary automatic procedures have been developed to allocate relevant income by business line, so as to calculate capital requirements under the standard approach of operational risk.

The Entity forms part of the ORX Consortium and the Spanish Operational Risk Consortium (CERO) and it also joined C.E.C.A., the Spanish benchmarking platform, in order to provide comparative event losses data within the sector.

6.5. Interest rate risk

a) Risk policy: limits, diversification and mitigation

In relation to management of this risk factor, the Manual Governing Market, Foreign Exchange, Liquidity and Interest Rate Risk addresses: (i) the basic principles governing these risk factors at the Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk management and control reports.

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

- The Group must apply a commercial and financial policy of minimal exposure to interest rate risk.
- Despite this principle, since the mere evolution of the market interest rate curve could place the Group on undesired exposure levels, a system of powers must be established to determine whether to maintain the exposure reached or take measures to reduce it.

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 authorized by the Assets and Liabilities Committee (ALCO) 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 analysing 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 risk indicator	**Authorised body**
Betw een 5% and 10%	Assets and Liabilities Committee
Above 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:

- The Risk Committee of the Governing Board of the Group's Parent Entity
- Assets and Liabilities Committee (ALCO).
- Treasury Capital Markets Management.
- Market risk control
- Balance Management

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 analysed, 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 -7.28% (-8.55% in 2012).

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 -3.81% (-9.37% in 2012).

Analysis of interest rate risk from the point of view of financial value at 31 December 2013

The following table shows the analysis of interest rate risk that affects the Lead Entity's financial activity at 31 December 2013:

Year 2013	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	3,453,251	104,744	-	-	-	3,557,995	12	0.03%	-	3,557,995
Credit market	2,460,429	4,892,560	7,106,971	9,319,976	2,869,726	26,649,662	4,231	1.59%	4,093,917	30,743,579
Capital market	422,629	98,549	16,198	54,741	2,285,180	2,877,297	2,018	7.01%	425,560	3,302,857
Other assets	-	-	-	-	-	-	-	-	4,491,618	4,491,618
	6,336,309	**5,095,853**	**7,123,169**	**9,374,717**	**5,154,906**	**33,084,955**	**6,261**	**2.70%**	**9,011,094**	**42,096,049**
LIABILITIES										
Money market	6,484,531	511,894	401,589	71,770	273,106	7,742,890	189	0.24%	-	7,742,890
Medium and long-term issues	1,053,345	1,543,928	1,181,200	942,300	1,250,000	5,970,774	661	1.11%	-	5,970,774
Other liabilities	-	-	-	-	-	-	-	-	3,961,153	3,961,153
Creditors	3,878,083	3,849,988	3,390,306	4,466,302	8,836,554	24,421,233	3,283	1.34%	-	24,421,233
	11,415,959	**5,905,810**	**4,973,095**	**5,480,372**	**10,359,660**	**38,134,896**	**4,133**	**1.16%**	**3,961,153**	**42,096,049**
Gap	**(5,079,650)**	**(809,957)**	**2,150,074**	**3,894,345**	**(5,204,754)**	**(5,049,942)**	**2,128**	**0.82%**	**5,049,942**	
Gap/Assets (%)	**(12.07%)**	**(1.92%)**	**5.11%**	**9.25%**	**(12.36%)**	**(12.00%)**				

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

Analysis of interest rate risk from the point of view of financial value at 31 December 2012

The following table shows the analysis of interest rate risk that affects the Lead Entity's financial activity at 31 December 2012:

Year 2013	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	2,591,075	156,282	-	-	4,656	2,752,013	27	0.10%	-	2,752,013
Credit market	2,813,250	5,810,988	7,803,157	10,386,953	2,730,147	29,544,495	10,427	3.53%	2,500,747	32,045,242
Capital market	98,305	113,778	552,846	277,479	1,902,706	2,945,114	477	1.62%	321,492	3,266,606
Other assets	-	-	-	-	-	-	-	-	3,447,270	3,447,270
	5,502,630	**6,081,049**	**8,356,003**	**10,664,432**	**4,637,509**	**35,241,622**	**10,931**	**2.70%**	**6,269,509**	**41,511,131**
LIABILITIES										
Money market	2,009,282	643,491	799,590	128,014	5,873,071	9,453,447	1,340	1.42%	-	9,453,447
Medium and long-term issues	976,292	2,151,976	1,431,200	750,000	203,281	5,512,749	218	0.40%	-	5,512,749
Other liabilities	-	-	-	-	-	-	-	-	3,880,211	3,880,211
Creditors	3,546,690	4,650,525	3,750,421	5,493,657	5,223,430	22,664,724	2,517	1.11%	-	22,664,724
	6,532,264	**7,445,991**	**5,981,211**	**6,371,671**	**11,299,782**	**37,630,920**	**4,075**	**0.62%**	**3,880,211**	**41,511,131**
Gap	**(1,029,634)**	**(1,364,943)**	**2,374,792**	**4,292,761**	**(6,662,274)**	**(2,389,297)**	**6,856**	**2.08%**	**2,389,297**	
Gap/Assets (%)	**(2.48%)**	**(3.29%)**	**5.72%**	**10.34%**	**(16.05%)**	**(5.76%)**				

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.

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

The Parent Entity's Governing Board has approved the update of the former market, foreign exchange, interest rate and liquidity risk manuals, which have been recast and consolidated into a single manual; credit limits have been adapted to reflect the Cooperative Group's new configuration. This new manual regulates: (i) the basic principles governing these risk factors at the Cooperative Group; (ii) the applicable limits; (iii) the bodies tasked with their management and control; (iv) the procedures for calculating exposure and the related limits; and (v) the risk 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 Group should have defined a set of relevant stress scenarios and periodically assess the levels of risk associated with each.

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

- Short-term liquidity risk limits:
  - Daily liquidity limit. The liquidity for immediate use by the Group at the start of business, adjusted for the expected movement of funds, should be sufficient to cover any unexpected outflow of funds on a working day with a confidence level of 99%.
  - Six-month liquidity profile ratio limit (RPL6M). The 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.
- 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 Group may not exceed 65% of the eligible mortgage portfolio.
- A Liquidity Contingency Plan has been prepared and implemented.

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

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

c) <u>Herramientas de gestión: sistemas de medición, comunicación, control y seguimiento</u>

The tools used to measure, control and monitor this risk are the application SGT (Sistema Global de Tesorería), the Financial Server and Bancware Focus ALM.

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 2013 and 2012 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 2013	**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	316.306	-	-	-	-	-	-	182.378	75	498.759
Loans and advances to credit institutions	380.552	98.270	-	-	-	2.000	-	2.481	77	483.380
Loans and advances to other debtors	-	3.662.865	839.477	817.586	1.558.700	6.714.543	17.059.523	6.208.459	(2.813.540)	34.047.613
Debt securities	-	342.934	38.552	6.044	60.423	257.568	2.415.442	77.573	(198)	3.198.338
Total	696.858	4.104.069	878.029	823.630	1.619.123	6.974.111	19.474.965	6.470.891	(2.813.586)	38.228.090
Liabilities										
Deposits from central banks	-	-	-	-	-	4.600.000	-	-	65.282	4.665.282
Deposits from credit institutions	752.025	106.878	189	692	-	1.634.211	3.683	1.828	22.295	2.521.801
Deposits from other creditors	10.333.724	1.746.296	2.782.476	3.049.297	4.770.364	4.442.073	1.779.208	37.413	165.977	29.106.828
Debt certificates including bonds	-	-	-	-	734.611	1.245.831	-	-	38.554	2.018.996
Subordinated liabilities	-	-	-	-	-	120.592	-	-	6.427	127.019
Total	11.085.749	1.853.174	2.782.665	3.049.989	5.504.975	12.042.707	1.782.891	39.241	298.535	38.439.926
Gap (without valuation adjustments)	(10.388.891)	2.250.895	(1.904.636)	(2.226.359)	(3.885.852)	(5.068.596)	17.692.074	6.431.650		2.900.285
Accumulated gap	(10.388.891)	(8.137.996)	(10.042.632)	(12.268.991)	(16.154.843)	(21.223.439)	(3.531.365)	2.900.285		

Year 2012 (*)	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	260,092	-	-	-	-	-	-	106,224	118	366,434
Loans and advances to credit institutions	121,637	1,134,372	147,893	53,121	33,682	2,000	10,000	1,781	1,006	1,505,492
Loans and advances to other debtors	-	1,880,851	1,300,241	948,545	1,734,701	7,441,792	18,532,144	4,975,444	(2,785,183)	34,028,535
Debt securities	-	31,658	42,903	555,529	289,113	2,085,241	168,606	25,806	(518)	3,198,338
Total	381,729	3,046,881	1,491,037	1,557,195	2,057,496	9,529,033	18,710,750	5,109,255	(2,784,578)	39,098,798
Liabilities										
Deposits from central banks	-	-	500,000	-	-	4,600,000	-	-	39,984	5,139,984
Deposits from credit institutions	370,384	200,351	89,331	51,170	34,467	1,915,964	7,449	9,610	17,313	2,696,039
Deposits from other creditors	9,778,165	2,706,773	3,392,670	3,802,864	4,744,130	2,812,244	1,992,180	371,840	253,863	29,854,729
Debt certificates including bonds	-	107,763	123,954	528,992	43,556	734,536	-	-	43,950	1,582,751
Subordinated liabilities	-	-	-	-	-	149,187	7,497	-	(216)	156,468
Total	10,148,549	3,014,887	4,105,955	4,383,026	4,822,153	10,211,931	2,007,126	381,450	354,894	39,429,971
Gap (without valuation adjustments)	(9,766,820)	31,994	(2,614,918)	(2,825,831)	(2,764,657)	(682,898)	16,703,624	4,727,805		2,808,299
Accumulated gap	(9,766,820)	(9,734,826)	(12,349,744)	(15,175,575)	(17,940,232)	(18,623,130)	(1,919,506)	2,808,299		

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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 2013 and 31 December 2012, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros				
	2013				
	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 institutic	-	-	-	483,380	-
Loans and advances to other debtors	-	17,950	-	34,047,613	-
Debt securities	-	1,186	3,080,973	-	38,741
Equity instruments	109	-	127,231	-	-
Trading derivatives	498	-	-	-	-
Total	**607**	**19,136**	**3,208,204**	**34,530,993**	**38,741**
	2012				
Financial assets Type/Category					
Loans and advances to credit institutic	-	-	-	1,505,492	-
Loans and advances to other debtors	-	-	-	34,028,535	-
Debt securities	493	1,003	1,224,873	-	1,971,969
Equity instruments	176	67	138,184	-	-
Trading derivatives	2,280	-	-	-	-
Total	**2,949**	**1,070**	**1,363,057**	**35,534,027**	**1,971,969**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

Details of the carrying value of the Group's financial liabilities at 31 December 2013 and 31 December 2012, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros		
	2013		
	Financial assets held for trading	**Other financial assets at fair value through profit or loss**	**Financial liabilities at amortised cost**
Financial liabilities Type/Category			
Deposits from central banks	-	-	4.665.282
Loans and advances to credit institutions	-	-	2.521.801
Deposits from other creditors	-	-	29.106.828
Debt certificates including bonds	58.258	-	2.018.996
Trading derivatives	-	-	-
Subordinated liabilities	-	-	127.019
Short positions	-	-	-
Other financial liabilities	-	-	357.714
CONSOLIDATED TOTAL	**58.258**	**-**	**38.797.640**
	2012 (*)		
Financial liabilities Type/Category			
Deposits from central banks	-	-	5.139.984
Loans and advances to credit institutions	-	-	2.696.039
Deposits from other creditors	-	-	29.854.729
Debt certificates including bonds	-	-	1.582.689
Trading derivatives	69.777	-	-
Subordinated liabilities	-	-	139.278
Short positions	-	-	-
Other financial liabilities	-	-	467.005
CONSOLIDATED TOTAL	**69.777**	**-**	**39.879.724**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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 2013 and at 31 December 2012 is as follows:

	Thousands of euros	
	2013	**2012**
Cash on hand	316,468	251,901
Bank of Spain:		
Assets purchased under resale agreements	-	-
Rest of deposits	182,216	114,415
Other central banks	-	-
Valuation adjustments:		
Accrued interest	75	118
Total	**498,759**	**366,434**

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 2013 and 2012.

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**	
	2013	**2012**	**2013**	**2012**
Deposits from central banks	-	-	-	-
Loans and advances to credit institutions	-	-	-	-
Loans and advances to other debtors	-	-	-	-
Deposits from other creditors	-	-	-	-
Debt securities	-	493	-	-
Debt certificates including bonds	-	-	-	-
Equity instruments	109	176	-	-
Trading derivatives	498	2,280	58,258	69,777
Short positions	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**607**	**2,949**	**58,258**	**69,777**

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.

At 31 December 2013 and 2012 the fair value of the derivatives assets is €607 and €2,949 thousand respectively, ascending the fair value of derivatives liabilities to €58,258 and €69,777 thousand respectively.

The notional values and the fair values of financial derivatives accorded under "Traded Derivatives) at 31 December 2013 and 31 December 2012 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	
By type of market	**2013**	**2012**
Official markets	**3,050**	**3,780**
Financial futures:	**3,050**	**3,780**
Purchased	-	-
Sold	3,050	3,780
Options:	**-**	**-**
Other products:	**-**	**-**
Unofficial markets	**4,442,738**	**7,253,295**
Foreign currency forward transactions:	-	-
Purchased	-	-
Sold	-	-
Purchase of currencies against currencies	-	-
Forward rate agreements (FRA):	-	-
Swaps:	**3,500,160**	**6,229,575**
Options:	**942,578**	**1,027,500**
Purchased	138,242	181,090
Sold	804,336	846,410
Other products:	**-**	**-**
Total	**4,445,788**	**7,257,075**
By counterparty		
Resident credit institutions	2,817,458	3,229,316
Non-resident credit institutions	-	200
Other resident financial entities	1,148,041	3,460,500
Other non-resident financial entities	333,012	380,393
Rest of resident sectors	147,277	186,666
Rest of non-resident sectors	-	-
Total	**4,445,788**	**7,257,075**
By term to maturity		
Up to 1 year	58,899	128,253
Between 1 and 5 years	741,307	721,566
More than 5 years	3,645,582	6,407,256
Total	**4,445,788**	**7,257,075**
By type of risk		
Exchange rate risk	-	-
Interest rate risk	4,443,634	7,222,400
Share risk	2,154	34,675
Credit risk	-	-
Other risks	-	-
Total	**4,445,788**	**7,257,075**

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	
	2013	**2012**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	17,950	-
Debt securities	1,186	1,003
Equity instruments	-	67
Total	**19,136**	**1,070**

a) Deposits at credit institutions

At 31 December 2013 and 31 December 2012 there were no balances classified under this balance sheet heading.

b) Customer Loans

The amount recognised in this heading of the accompanying balance sheet at 31 December 2013 as Loans and advances to other debtors includes the amount of the variable price of the sale of Cajamar Vida, S.A (Note 11).

c) Debt Securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of euros	
	2013	**2012**
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	-	-
Other resident sectors	-	-
Non-resident Public Administrations	-	-
Other non-resident sectors	1,186	1,003
Non-performing assets	-	-
Valuation adjustments	-	-
Total	**1,186**	**1,003**

At 31 December 2013 and at 31 December 2012 no secure transactions carried out with other credit institutions existed.

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2013 and 2012, are as follows:

	Thousands of euros	
	2013	**2012**
Opening balance:	**1,003**	**1,817**
Additions	250	-
Incorporation of Entities of Grupo Cooperativo	-	1,226
Sales, depreciation and amortisation	(67)	(223)
Portfolio adjustment cost	-	-
Valuation adjustments	-	-
Transfers (Note 7.4.a)	-	(1,817)
Closing balance:	**1,186**	**1,003**

The return on “Debt securities” amounts to €57 thousand at year-end 2013 (Note 25).

d) Equity Instruments

At 31 December 2013 and 31 December 2012 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousands of euros	
	2013	**2012**
Credit institutions	-	-
Other resident sectors	-	-
Other non-resident sectors	-	67
Total	**-**	**67**

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2013 and 2012, are as follows:

	Thousands of euros	
	2013	**2012**
Opening balance:	**67**	**-**
Additions	-	-
Incorporation of Entities of Grupo Cooperativo	-	101
Sales, depreciation and amortisation	(67)	(34)
Closing balance:	**-**	**67**

7.4. *Available-for-sale financial assets*

The breakdown of this heading in the accompanying consolidated balance sheet is as follows:

	Thousands of euros	
	2013	**2012**
Debt securities	3,080,973	1,224,873
Other equity instruments	127,231	138,184
Total	**3,208,204**	**1,363,057**

a) Debt securities

Details of debt securities classified based on the counterparty are as follows:

	Thousands of euros	
	2013	**2012**
Central banks	-	-
Spanish Public Administrations	2,759,034	615,964
Credit institutions	150,698	274,606
Other resident sectors	158,339	319,156
Non-resident Public Administrations	2,815	3,046
Other non-resident sectors	10,277	12,131
Non-performing assets	-	247
Valuation adjustments		
Impairment assets valuation adjustments (Note 25)	(190)	(277)
Total	**3,080,973**	**1,224,873**

At 31 December 2013 the balance "Debt securities" totalling, €2,430,170 thousand were loaned on warranty (€839,249 thousand at 31 December 2012), of which €1,724,927 thousand (€466,735 thousand at 31 December 2012), 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 €705,243 thousand (€263,026 thousand at 31 December 2012) corresponded to "Time Deposits" (Note 7.7.b and 7.7.c).

The interest accrued in 2013 and 2012 relating to debt securities totalled €167,982 and €49,165 thousand respectively (Note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Opening balance	**1,224,873**	**2,189,117**
Purchases	15,472,357	3,789,456
Sales, depreciation and amortisation	(15,541,938)	(7,292,982)
Transfers	1,885,534	2,005,926
Incorporation Ruralcaja	-	197,717
Portfolio adjustment cost	2,264	6,086
Incorporation Entities Grupo Cooperativo	-	335,196
Accrued interests	22,595	(14,557)
Adjustments in Equity valuations	15,436	8,096
Asset impairment adjustments	(148)	818
Closing balance	**3,080,973**	**1,224,873**

The most significant movements in 2013 and 2012 relate to the acquisition and subsequent sale of fixed-income securities issued by credit institutions.

The transfers to “Available-for-sale financial assets” in 2013 mainly originate from assets that had been classified as held to maturity (Note 7.6).

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 2013 and 31 December 2012 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousands of euros	
	2013	**2012**
From credit institutions	6,852	5,354
From other resident sectors	119,965	132,392
From non-residents	414	438
Total	**127,231**	**138,184**

At the end of the years 2013 and 2012 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:

	2013		2012	
	Thousands of euros	% from total	Thousands of euros	% from total
Quoted:	**23,560**	**18.52%**	**25,459**	**18.39%**
Cost	23,291	18.31%	25,457	18.39%
Equity valuation adjustments	769	0.60%	58	0.04%
Impairment adjustments	(500)	(0.39%)	(56)	(0.04%)
Unquoted	**103,671**	**81.48%**	**112,955**	**81.61%**
Cost	141,679	111.36%	142,682	103.09%
Equity valuation adjustments	9,400	7.38%	7,119	5.14%
Impairment adjustments	(47,408)	(37.26%)	(36,846)	(26.62%)
Total	**127,231**	**100.00%**	**138,414**	**100.00%**

In 2013 and 2012 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	
	2013	2012	2013	2012
Opening balance	**25,515**	**16,597**	**149,801**	**150,353**
Additions	3,576	1,255	4,137	12,666
Disposals	(5,742)	(863)	(4,132)	(16,167)
Transfers	-	-	(949)	(21,631)
Incorporation cost Ruralcaja	-	3,076	-	12,775
Equity valuation adjustments	711	(58)	2,222	4,469
Incorporation valuation adjustments Ruralcaja	-	204	-	1,006
Incorporation Entities Grupo Cooperativo Cajamar	-	5,304	-	6,330
Closing balance	**24,060**	**25,515**	**151,079**	**149,801**

The additions to this heading in 2013 correspond to unlisted securities and mainly reflect the Group's investment in the equity issued by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) in the amount of €3,250 thousand. The other additions of significance correspond to contributions to private equity funds of €800 thousand on aggregate and various acquisitions in companies for a total amount of €62 thousand.

The most significant derecognitions in 2013 correspond to the redemption of investments in private equity funds totalling €3,240 thousand. The remaining derecognitions relate to the sale of the Group's investment in Arcano Capital BP, F.C.R. for €249 thousand, the liquidation of Ecovida, S.L. for €82 thousand, several dividends from Eolia Renovables de Inversiones, S.C.R., S.A. in the form of capital repayments and in the amount of €270 thousand and the capital decrease carried out by Inmo Francia1, S.A. in the amount of €49 thousand.

The most significant additions for 2013 relating to listed shares include the acquisition in Banco Popular, BBVA, Santander, Liberbank and Caixabank amounting €1,754 , €482 , €65 , €113 and €48 thousand respectively; the vast majority are based on fixed-income securities that have been converted into listed shares by the issuer.

The most significant derecognitions for 2013 in unlisted shares relate to divestments in Banco Popular, Telefónica and IAG, totalling €1,807, €507 and €167 thousand, respectively. It is specially significant the disinvestment in Rural Inversión Sindicada, were shares totalling a global amount of €3,261 thousand were sold.

Additions in 2012 relating to listed shares include the acquisition of shares in investment funds, Banco Santander, S.A. and Telefónica, S.A. giving rise to the recognition of cost paid of €500 thousand, €360 thousand and €395 thousand, respectively.

The main movements due to disposals in 2012 relating to listed shares include the sale of shares in banks, investment funds and securities investment firms, giving rise to the de-recognition of costs paid amounting to €460 thousand, €137 thousand and €144 thousand, respectively.

The most significant additions for 2012 relating to unlisted shares, mainly the acquisition of shares in Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) amounting to €11,750 thousand. The other most significant additions include contributions to venture capital funds for an overall amount of €121 thousand.

The most significant derecognitions for 2012 in unlisted shares relate to divestments in Banco Cooperativo Español, S.A., Rural Servicios Informáticos, S.C. and Seguros Generales Rural, S.A. de Seguros y Reaseguros amounting to €7,850,€1,229 and €2,959 thousand respectively and reimbursements of shares in venture capital funds for an overall amount of €2,270 thousand. Other derecognitions relate to the liquidation of Mistral Biocombustibles de Inversiones, S.C.R., S.A. amounting to €674 thousand, the refund of contributions of Caja Rural de Zamora, S.C.C. amounting to €387 thousand, the divestment in Espiga Capital Inversión, S.C.R., S.A. amounting to €349 thousand and divestments in companies for an overall amount of €89 thousand.

Transfers for 2012 in unlisted shares result from the transfer of Banco Inversis, S.A. and Parque Industrial Acceso Sur, S.L. to the long-term portfolio for €20,506 thousand and €1,124 thousand, respectively.

The Group had accounted at cost during 2013 and 2012, assets classified under the heading available-for-sale financial assets for €4,440 and €5,887 thousand; respectively, not being possible to estimate its fair value reliably.

In 2013 the investments classified in the portfolio "Available-for-sale financial assets" that the Entity recognised at cost represented 3.49% of the entire portfolio, (3.81% in 2012).

The yield from "Equity instruments" at 31 December 2013 and 2012 totalled €2,503 and €2,157 thousand, respectively (Note 25).

c) Impairment losses

The breakdown of impairment losses booked at year end in 2013 and 2012 for assets under the “Avaible-for-sale assets – Debt securities” caption is as follows:

	Thousands of euros	
	2013	**2012**
Provision opening balance	**(277)**	**(1,096)**
Provisions charged to profit and loss (Note 25)	(190)	(172)
Recovered funds	261	660
Write-offs due to use and other	16	424
Transfers	-	-
Incorporation impairment Entities Grupo Cooperativo	-	(93)
Provision closing balance	**(190)**	**(277)**

The breakdown of impairment losses booked at year end in 2013 and 2012 for assets under the "Avaible-for-sale assets – Equity instruments" caption is as follows:

	Thousands of euros	
	2013	**2012**
Provision opening balance	**(36,902)**	**(12,363)**
Provisions charged to profit and loss (Note 25)	(11,128)	(20,007)
Recovered funds	-	274
Write-offs due to use and other	122	175
Transfers	-	-
Incorporation impairment Ruralcaja	-	(3,872)
Incorporation impairment Entities Grupo Cooperativo	-	(1,109)
Provision closing balance	**(47,908)**	**(36,902)**

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 2013 and 2012, the details of these variations on the consolidated balance sheets are as follows:

	Thousands of euros	
	2013	**2012**
Debt securities	**1,255**	**(17,867)**
Capital gains/losses	1,673	(23,823)
Tax effect (Note 24)	(418)	5,956
Other equity instruments:	**7,118**	**5,111**
Capital gains/losses	10,169	7,302
Tax effect (Note 24)	(3,051)	(2,191)
Capital gains/losses on the available-for-sale assets portfolio	**8,373**	**(12,756)**
Capital gains/losses on entities accounted for by the equity method	**1,402**	**(174)**
Total valuation adjustments	**9,775**	**(12,930)**

7.5. Loans and receivables

Details of the "Loans and receivables" caption on the consolidated balance sheets are as follows:

	Thousands of euros	
	2013	**2012**
Loans and advances to credit institutions	483,381	1,505,492
Loans and advances to other debtors	34,047,613	34,257,233
Debt securities	-	-
Total	**34,530,994**	**35,762,725**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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	
	2013	**2012**
Nostro/Vostro accounts	**323**	**105**
Term deposits	**44,066**	**183,625**
Hybrid financial assets:		
Assets purchased under resale agreements	**-**	**988,727**
Other deposits	**110,877**	**281,636**
Non-performing assets:	**-**	**-**
Other financial assets (checks drawn on credit institutions)	**328,037**	**49,887**
Valuation adjustments:		
Resident institutions	78	1,006
Non-resident institutions	-	-
Total	**483,381**	**1,505,492**

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	
	2013	**2012 (*)**
By credit type and status:		
Money market operations through counterparties	3.241.450	1.124.606
Commercial loans	471.489	481.961
Secured loans	21.439.972	24.101.631
Assets purchased under resale agreements	-	-
Hybrid financial assets	-	-
Other term debtors	3.830.218	4.157.993
Lease financing	101.281	118.530
Loans on demand and others	1.378.231	1.871.950
Non-performing assets	6.321.675	4.671.836
Other financial assets:		
Financial guarantee commissions (Notes 3.6)	*16.312*	*14.917*
Other assets	*60.525*	*270.294*
Valuation adjustments	(2.813.540)	(2.785.183)
Total	**34.047.613**	**34.028.535**
By sector:		
Spanish public administration	792.481	1.083.866
Other resident sectors	33.048.647	32.740.136
Non-resident public administrations	-	-
Other non-resident sectors	206.485	204.534
Total	**34.047.613**	**34.028.535**
By interest rate type:		
Fixed	2.230.112	5.365.331
Variable	31.817.501	28.663.204
Total	**34.047.613**	**34.028.535**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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.

Set out below is a breakdown by counterparty of loans and advances to other debtors, together with details of the amount covered by each of the main guarantees and distribution of secured financing on the basis of the percentage of the carrying value of financing over the amount of the latest valuation of the guarantee available:

Year 2013

	Thousands of euros							
				Credit guaranteed with in rem guarantees. Loan to value				
	Total	Of which: Real state guarantee	Of which: Other guarantees	Lower or equal to 40%	Over 40% and lower or equal to 60%	Above 60% and lower or equal to 80%	Over 80% or lower or equal to 100%	Above 100%
Public administrations	867.352	-	-	-	-	-	-	-
Other financial institutions	3.229.101	-	-	-	-	-	-	-
Non-finantial entities and individual entrepreneurs	10.553.894	5.518.648	502.843	1.596.136	1.874.775	1.477.395	609.108	464.077
Construction and Real state	2.693.734	1.936.880	365.855	276.875	526.538	751.870	386.276	361.176
Civil construcctions	46.862	15.996	996	6.582	3.350	4.019	2.749	291
Other meanings	7.813.297	3.565.772	135.992	1.312.678	1.344.887	721.506	220.083	102.610
Large companies	839.854	55.008	3.000	17.897	9.335	3.821	26.955	-
SME's and individual entrepreneurs	6.973.443	3.510.764	132.992	1.294.781	1.335.552	717.685	193.128	102.610
Other homes and ISFLSH	19.397.266	16.135.775	328.187	3.296.823	5.411.722	6.342.843	1.098.721	313.853
Houses	15.918.886	14.294.657	226.693	2.720.918	4.782.101	5.879.683	911.956	226.693
Consumption	1.930.680	946.503	65.115	306.367	317.479	233.543	102.193	52.036
Other meanings	1.547.700	894.615	36.379	269.538	312.142	229.616	84.572	35.124
Less: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-
Total	**34.047.513**	**21.654.423**	**831.030**	**4.892.959**	**7.286.497**	**7.820.238**	**1.707.829**	**777.930**
Pro memo:								
Refinance and restructured operations	6.899.227	4.659.453	560.821	738.052	1.369.692	1.784.473	770.610	557.446

Year 2012 (*)

	Thousands of euros							
				Credit guaranteed with in rem guarantees. Loan to value				
	Total	Of which: Real state guarantee	Of which: Other guarantees	Lower or equal to 40%	Over 40% and lower or equal to 60%	Above 60% and lower or equal to 80%	Over 80% or lower or equal to 100%	Above 100%
Public administrations	1,232,712	1,124,497	-	-	-	-	1,124,497	-
Other financial institutions	1,131,348	259	-	259	-	-	-	-
Non-finantial entities and individual entrepreneurs	12,622,307	7,222,921	135,764	1,833,777	2,282,874	2,125,186	758,293	358,555
Construction and Real state	3,388,626	2,992,947	5,374	370,644	665,111	1,198,430	503,817	260,319
Civil construcctions	67,759	23,097	143	8,472	6,320	5,800	1,949	699
Other meanings	9,165,922	4,206,877	130,247	1,454,661	1,611,443	920,956	252,527	97,537
Large companies	2,419,271	483,523	46,023	170,559	167,303	105,018	55,938	30,728
SME's and individual entrepreneurs	6,746,651	3,723,354	84,224	1,284,102	1,444,140	815,938	196,589	66,809
Other homes and ISFLSH	19,648,601	17,407,970	14,401	3,200,239	5,413,445	7,224,859	1,167,407	416,421
Houses	15,628,053	15,182,954	3,591	2,594,115	4,728,304	6,699,060	988,016	177,050
Consumption	2,004,482	930,537	1,984	286,811	321,172	231,620	67,373	25,545
Other meanings	2,016,066	1,294,479	8,826	319,313	363,969	294,179	112,018	213,826
Less: Value adjustments for impairment of assets not attributable to specific operations	(606,433)	-	-	-	-	-	-	-
Total	**34,028,535**	**25,755,647**	**150,165**	**5,034,275**	**7,696,319**	**9,350,045**	**3,050,197**	**774,976**
Pro memo:								
Refinance and restructured operations	8,213,485	5,503,674	25,677	845,635	1,489,576	2,284,863	886,050	23,227

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

The total exposure includes customer loans net of the impairment provisions recognised to cover specific transactions.
Impairment charges that are not allocated to specific transactions are recognised in "Impairment losses on assets not allocated to specific transactions".

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	
	2013	**2012**
Value adjustments:		
Asset impairment adjustments	(2,754,745)	(2,539,697)
Other financial assets value adjustments	(10,071)	-
Accrued interest	76,049	120,320
Micro-hedging operations	-	-
Assets at fair value	(2,579)	(2,779)
Acquisition premiums/discounts	(21,002)	(20,500)
Fees and commissions	(101,192)	(113,829)
Transaction costs	-	-
Total	**(2,813,540)**	**(2,556,485)**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

b.2.) Matured assets not impaired

The classification of outstanding matured assets not impaired by ageing is as follows:

	Thousands of euros			
Year 2013	**Less than one month**	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
Unsecured transactions	94,699	14,471	11,569	120,739
Secured transactions on finished housing	5,923	8,413	9,046	23,382
Other secured transactions	15,153	4,487	6,351	25,991
With partially pledged collateral	250	829	61	1,140
Total	**116,025**	**28,200**	**27,027**	**171,252**

	Thousands of euros			
Year 2012	**Less than one month**	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
Unsecured transactions	124,235	24,789	15,346	164,370
Secured transactions on finished housing	9,290	9,927	12,866	32,083
Other secured transactions	42,219	53,838	18,342	114,399
With partially pledged collateral	448	444	128	1,020
Total	**176,192**	**88,998**	**46,682**	**311,872**

b.3.) Impaired assets

The classification of impaired assets pending collection according to age is as follows:

Year 2013	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
	Thousands of euros					
Transactions without risk	27,042	-	-	-	-	27,042
Unsecured transactions	-	284,422	27,488	16,945	204,489	533,344
Transactions with guarantee on finished households first residence	-	269,101	48,293	64,940	895,202	1,277,536
Transactions on land, and other real estate	-	627,687	23,026	24,305	530,037	1,205,055
Transactions with guarantee on finished households	-	863,051	18,607	28,002	820,123	1,729,783
Transactions on land, and other fixed assets	-	695,638	12,984	12,071	825,382	1,546,075
Operations with pledged collateral	2,840	-	-	-	-	2,840
Total	**29,882**	**2,739,899**	**130,398**	**146,263**	**3,275,233**	**6,321,675**

Year 2012	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
	Thousands of euros					
Transactions without risk	27,888	-	-	-	-	27,888
Unsecured transactions	-	196,502	45,520	43,915	143,492	429,429
Transactions with guarantee on finished households first residence	-	236,306	123,758	98,872	534,182	993,119
Transactions on land, and other real estate	-	291,865	88,473	58,474	339,230	778,042
Transactions with guarantee on finished households	-	419,639	92,376	149,060	610,956	1,272,030
Transactions on land, and other fixed assets	-	355,577	100,793	164,401	546,802	1,167,573
Operations with pledged collateral	3,755	-	-	-	-	3,755
Total	**31,643**	**1,499,889**	**450,920**	**514,722**	**2,174,662**	**4,671,836**

The amount of accumulated accrued financial income on customer loans that are impaired and recognized in the consolidated income statement, before their impairment, totaled €59,409 thousands and €39,125 thousands in 2013 and 2012, 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 2013 and 31 December 2012, the active balance of these transactions was as follows:

	Thousands of euros	
	2013	2012
Securitisation of assets:		
Balance sheet write-offs:	**394,492**	**465,527**
Mortgage loans granted to securitisation funds	355,667	418,721
Other transfers to credit institutions	38,825	46,806
Held on the balance sheet:	**6,904,775**	**7,151,249**
Mortgage loans granted to securitisation funds	6,904,775	7,151,249
Other transfers to credit institutions	-	-
Total	**7,299,267**	**7,616,776**

Of total mortgage loans assigned to securitization funds recorded on the balance sheet at 31 December 2013, €8,593 thousand corresponded to balances incorporated by Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, €37,027 thousand incorporated by Credit Valencia Caja Rural, Sociedad Cooperativa de Crédito Valenciana, and €47,394 thousand by Caja Rural de Canarias, Sociedad Cooperativa de Crédito, while on the balance sheet at 31 December 2012, €1,556,546 thousand relates to balances included by Ruralcaja. In turn, of total mortgage loans assigned to securitization funds written off the balance sheet at 31 December 2012, €38,355 thousand relates to balances included by Ruralcaja.

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 2013, the Entity retained €4,924,807 thousand in securitized bonds relating to the above-mentioned transformations of loans and credit lines (€4,984,172 526 thousand at 31 December 2012) (Note 7.7.c).

Of the aforementioned €4,924,807 thousand in securitisation bonds existing at 31 December 2013 (€4,984,172 thousand at 31 December 2012), €3,923,191 thousand (€4,056,159 thousand at 31 December 2012) were pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Bank of Spain, (Note 7.7.a).

Commissions on securitized assets written off the consolidated balance sheet and which relate to all those securitizations prior to 1 January 2004 are recognised in Gains or losses on financial assets and liabilities (net) in the consolidated income statement in 2012 and 2011 in an amount of €6,080 and €7,313 thousand, 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 €1,773,571 and €1,994,841 thousand at the end of 2013 and 2012, respectively, under the heading "Shares issued" (Notes 7.7.c).

Of the loan investments recorded in the balance sheet, the Cooperative 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	
Loans and credit as collateral	**2013**	**2012**
Asset securitisation collateral	7,260,442	7,569,970
Covered bond collateral	8,850,174	7,604,358
Total	**16,110,616**	**15,174,328**

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 2013 and 2012, which totaled €3,923,191 and €4,056,159 thousand, 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 2013 and 2012 for assets recorded under loans and receivables are as follows:

	Thousands of euros			
Year 2013	**Specific Hedges**	**General Hedges (*)**	**Country Risk Hedges**	**Total Hedges**
Balance at 31 December 2012	**2,708,309**	**60,086**	**-**	**2,768,395**
Provisions charged to profit and loss:				
Individually determined	2,014,248	-	-	2,014,248
Collectively determined	(592,860)	23,562	-	(569,298)
Recovery of provisions credited to profit and loss	(1,149,078)	(58,003)	-	(1,207,081)
Defaulted loans written off against funds	(215,148)	-	-	(215,148)
Other movements	(36,715)	-	-	(36,715)
Balance at 31 December 2013	**2,728,756**	**25,645**	**-**	**2,754,401**
Of which:				
According to method of determination:				
Individually determined	2,498,750	-	-	2,498,750
Collectively determined	230,006	25,645	-	255,651
According to geographical area of risk location:	-	-	-	-
Spain	2,728,756	25,645	-	2,754,401
Rest of Europe	-	-	-	-

	Thousands of euros			
Year 2012	**Specific Hedges**	**General Hedges (*)**	**Country Risk Hedges**	**Total Hedges**
Balance at 31 December 2011	**513,567**	**34,041**	**-**	**547,608**
Provisions charged to profit and loss:				
Individually determined	511,440	-	-	511,440
Collectively determined	1,071,460	16,070	-	1,087,530
Incorporation Ruralcaja - Individually determined	760,663	-	-	760,663
Incorporation Ruralcaja- Collectively determined	33,792	40,786	-	74,578
Incorporation Grupo Cooperativo - Individually determined	125,460	-	-	125,460
Incorporation Grupo Cooperativo- Collectively determined	59,412	32,060	-	91,472
Recovery of provisions credited to profit and loss	(365,135)	(62,871)	-	(428,006)
Defaulted loans written off against funds	(173,935)	-	-	(173,935)
Other movements	171,585	-	-	171,585
Balance at 31 December 2012	**2,708,309**	**60,086**	**-**	**2,768,395**
Of which:				
According to method of determination:				
Individually determined	1,885,443	-	-	1,885,443
Collectively determined	822,866	65,971	-	888,837
According to geographical area of risk location:				
Spain	2,708,309	65,971	-	2,774,280
Rest of Europe	-	-	-	-

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

During 2012 additional cover for the impairment of loans and discounts, secured through real estate and construction sector assets, recognised as a result of the decline in value of such assets (Note 2.6), amounts to €977,891 thousand. In addition, the balances included in this heading and for this item by Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito and the entities included of the former Grupo Cooperativo Cajas Rurales del Mediterráneo amounted to €194,003 thousand and € 58,231 thousand, respectively, recognised by the entities prior to the date of acquisition or integration in the Group (Notes 1.5 and 1.6).

The Cooperative 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. The fund created to hedge sub-prime risk totalled €230,006 thousand on 31 December 2013 (€273,776 thousand at 31 December 2012). During 2013 a recuperation of €43,770 thousand has been made (€260,280 thousand at 31 December 2012).

Details of "Impairment losses on financial assets (net) – Loans and receivables" (Note 25) in the consolidated income statements for the years ended 31 December 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012 (*)**
Provision for the year:	**(1,501,112)**	**(1,665,067)**
Specific and general funds	(1,444,950)	(1,598,970)
Net write-offs of loan losses	(56,162)	(66,097)
Recovery of defaulted loans	**35,432**	**82,700**
Rest of recoveries	**1,207,081**	**422,121**
Total	**(258,599)**	**(1,160,246)**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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	
	2013	**2012**
Debt instruments	38,741	1,971,969
Total	**38,741**	**1,971,969**

The debt securities classified based on their counterparty are detailed as follows:

	Thousands of euros	
	2013	**2012**
Central Banks	-	-
Spanish Public Administrations	33,680	1,623,410
Credit Entities	3,146	251,841
Other resident sectors	1,091	95,219
Non-Resident Public Administrations	-	-
Other Non-Resident sectors	832	1,740
Doubtful Assets	-	-
Valuation adjustments		
Impariment value corrections	(8)	(241)
Total	**38,741**	**1,971,969**

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 2013 and 2012 relating to debt securities totalled €21,243 and €85,250 thousand respectively (Note 25).

At 31 December 2013 none of the balances included in “Debt securities” had been pledged as collateral, whereas at year-end 2012, of the total recognised within this portfolio, an amount of €1,590,905 thousand had been pledged as collateral, of which €1,272,451 thousand under security loans and other secured loan agreements with the Bank of Spain, while €306,432 thousand corresponded to “Assets sold under repurchase agreements”.

Variations in the balance of this caption on the accompanying consolidated sheets during 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Initial balance	**1,971,969**	**136,625**
Purchase	43,400	4,488,980
Sales and depreciation	(73,687)	(1,237,390)
Trespasses	(1,878,683)	(2,004,109)
Merger of Ruralcaja	-	490,824
Accrual interest	(37,912)	23,894
Merger of entities	-	86,391
Portfolio value correction	13,421	(13,058)
Value impairment corrections (Note 25)	233	(188)
Closing balance	**38,741**	**1,971,969**

The amounts transferred from the "Held to maturity investments” portfolio in 2013 were reclassified in their entirety to “Available-for-sale financial assets” (Note 7.4.a).

As a result of the business combination (Note 1.6) in 2012 debt securities in the held to maturity portfolio amounting to €2,004,109 thousand were reclassified to held for sale and subsequently sold.

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 2013 and 2012 on assets in the item “Held-to-maturity investments – Debt securities”:

	Thousands of euros	
	2013	**2012**
Provision initial balance	**(241)**	**(52)**
Provisions charged to profit and loss	-	(229)
Recovered funds	233	40
Write-offs due to use and other	-	-
Transfers	-	-
Provision closing balance	**(8)**	**(241)**

7.7. Financial liabilities at amortized cost

Details of this liabilities caption on the accompanying consolidated balance sheets at 31 December 2013 and 2012 are as follows:

	Thousands of euros	
	2013	2012 (*)
Deposits from central banks	4,665,282	5,139,984
Deposits from credit institutions	2,521,800	2,696,039
Deposits from other creditors	29,106,828	29,854,729
Debt securities	2,018,996	1,582,751
Subordinated liabilities	127,019	156,468
	357,714	467,005
Total	**38,797,639**	**39,896,976**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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 2013 and 2012 are comprised as follows:

	Thousands of euros	
	2013	2012
Spanish Central Bank	**4,600,000**	**5,100,000**
Other Central Banks	**-**	**-**
Value adjustments:		
Accrued interest	65,282	39,984
Micro-hedging operations	-	-
Rest	-	-
Total	**4,665,282**	**5,139,984**

The balance recorded under the account "Bank of Spain" at 31 December 2013, 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 €7,411,995 thousand (€9,346,644 thousand at 31 December 2012), (Notes 7.4.a and 7.5.b.4).

The breakdown of the periods remaining to maturity in this heading is detailed in Note 6.6 Liquidity Risk.

b) *Deposits at credit entities*

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	
	2013	**2012**
Mutual accounts	**280**	**299**
Term deposits	**2,011,737**	**2,294,916**
Shares issued	**-**	**-**
Other financial liabilities associated with transferred financial assets	**-**	**-**
Hybrid financial liabilities:	**-**	**-**
Assets sold under repurchase agreements (Nota 7.4.a)	**53,365**	**133,142**
Otras cuentas	**434,123**	**250,369**
Valuation adjustments:	**22,295**	**17,313**
Total	**2,521,800**	**2,696,039**

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	
	2013	**2012**
Mortgage market operations through counterparties	**652,258**	**1,247,495**
Spanish public administrations	**1,047,666**	**711,913**
Other resident sectors:	**27,153,471**	**27,652,958**
Demand deposits:	**9,447,856**	**9,077,511**
Current accounts	3,489,766	3,290,899
Savings accounts	5,930,670	5,750,960
Electronic funds	2,165	1,912
Other demand deposits	25,254	33,740
Term deposits:	**17,539,638**	**18,321,584**
Fixed-term deposits	15,298,487	15,777,527
Home buyer's savings accounts	11,457	23,103
Discounted deposits	-	-
Shares issued (Note 7.5.b.4.)	1,773,571	1,994,841
Received Cash	*6,732,228*	*7,035,051*
Debt Security (-) (Note 7.5.b.4)	*(4,924,807)*	*(4,984,172)*
Rest	*(33,850)*	*(56,038)*
Other financial liabilities with transferred financial assets	-	-
Hybrid financial liabilities	447,824	507,769
Other term deposits	8,299	18,344
Deposits redeamable at notice	**-**	**-**
Assets sold under repurchase agreements	**-**	**-**
Valuation adjustments	**165,977**	**253,863**
Non-resident public administrations	**19**	**-**
Other non-resident sector	**253,414**	**242,363**
Total	**29,106,828**	**29,854,729**

At 31 December 2013, the balance included under "Money market operations through counterparties" includes securities borrowed from the available-for-sale portfolio of fixed income securities in the amount of €651,876 thousand and at year-end 2012, fixed-income securities borrowed from both the available-for-sale (€263,026 thousand) and held-to-maturity (€306,432 thousand) portfolios (Notes 7.4.a and 7.6).

The balance recognised in the account "Term deposits" at 31 December 2013 and 31 December 2012, includes various mortgage bond issues made in accordance with the provisions of Law 2/1981 (25 March), on Mortgage Market Regulations.

The gains obtained on the various buybacks of securitised bonds classified in "Shares issued" amounted to €19,729 thousand in 2013 (€20,927 thousand in 2012).

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				Hedge	
Issue	**Maturity**	**Cash**	**Rating**	**Agency**	**Interest rate**	**Nominal**	Thousands of euros
19/11/2004	19/11/2014	500,000	A-	Standar & Poor´s	4.01%	E12 + 0,0925%	500,000
11/03/2005	11/03/2015	200,000	BBB	Standar & Poor´s	3.76%	E12 +0,1115%	200,000
02/12/2005	02/12/2015	500,000	Baa1	Moody´s Investors Service, Ltd.	3.51%	E12 + 0,1221%	500,000
25/05/2006	08/04/2016	300,000	Baa1	Moody´s Investors Service, Ltd.	Euribor 3 meses + 0,06%	-	-
09/06/2006	09/06/2016	500,000	Baa1	Moody´s Investors Service, Ltd.	4.26%	E12 + 0,129%	500,000
	Total Issues	**2,000,000**					

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	
	2013	**2012 (*)**
Promissory notes and bills	-	429.287
Mortgage securities	5.079.413	3.833.560
Other non-convertible securities	544.978	825.000
Treasury shares	(3.643.950)	(3.549.046)
Valuation adjustments	38.553	43.888
Total	**2.018.994**	**1.582.689**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

The movement of each type of financial liability during 2013 and 2012, without taking into account valuation adjustments, is as follows:

	Thousands of euros 2013				
	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.	**1,163,897**	1,245,852	(429,287)	-	**1,980,462**
Those of which:					
Promissory notes and bills	429,287	-	(429,287)	-	-
Mortgage securities	734,610	1,245,852	-	-	1,980,462
Other non-convertible securities	375,000	219,978	(594,978)	-	-

	Thousands of euros 2012				
	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.	**2,487,690**	1,883,178	(2,831,971)	-	**1,538,897**
Those of which:					
Promissory notes and bills	-	633,178	(203,891)	-	429,287
Mortgage securities	878,690	1,250,000	(1,394,080)	-	734,610
Other non-convertible securities	1,609,000	-	(1,234,000)	-	375,000

No promissory notes were issued in 2013 and the securities issued in 2012 were derecognised at maturity. “Promissory notes and bills” at year-end 2012 corresponded to issues under the umbrella of a promissory note issuance programme for up to €500,000 thousand (with scope for extension to €1,000,000 thousand). The average interest rate was 3.75%. A total of €203,891 thousand was derecognised in 2012 as these securities matured.

In 2013, the Group concluded two mortgage-backed bond issues, one raising €498,650 thousand and the other raising €747,277 thousand. In 2012, the Group also issued mortgage securities on two occasions, raising €500,000 thousand and €750,000 thousand.

The details of the issues made and pending maturity under “Mortgage securities” at 31 December 2013 are as follows (Note7.5.b.4):

Date		Thousands of euros					Hedge	
Issue	**Maturity**	**Cash**	**Own stock**	**Rating**	**Agency**	**Interest rate**	**Nominal**	**Thousands of euros**
23/10/2009	23/10/2014	1,083,560	(348,950)	BBB+	FITCH	3.50%	E6+0,766%	556,000
26/07/2011	26/07/2016	500,000	(500,000)	BBB+	FITCH	5.75%	-	-
25/10/2011	25/10/2021	500,000	(500,000)	BBB+	FITCH	5.50%	-	-
20/12/2011	20/12/2016	500,000	(500,000)	BBB+	FITCH	5.00%	-	-
28/02/2012	28/02/2016	499,950	(500,000)	BBB+	FITCH	5.00%	-	-
03/07/2012	03/07/2017	749,975	(750,000)	BBB+	FITCH	5.50%	-	-
16/05/2013	16/05/2016	498,650	-	BBB+	FITCH	3.75%	-	-
22/11/2013	22/11/2016	747,277	-	BBB+	FITCH	3.38%	-	-
	Total issues	**5,079,412**	**(3,098,950)**					

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 2013, the balance of € 3,646,300 thousand (€3,551,300 thousand at 31 December 2012) “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 stock	Rating	Agency	Interest rate
14/02/2012	14/02/2017	325,000	(325,000)	BBB	FITCH	5.00%
26/03/2013	26/03/2016	219,978	(219,978)	BBB	FITCH	4.00%
	Total issues	**544,978**	**(544,978)**			

All of the issues were accepted for trading on the AIAF Fixed Income Market.

The Group did not generate any gains on the various buybacks of “Mortgage securities” or “Other non-convertible securities” in 2013; the related gains recognised in 2012 totalled €9,768 thousand.

The interest accrued on debt securities in 2013 amounted to €52,165 thousand (€70,702 thousand in 2012) (Note 25); this interest is included within “Interest and similar income" in the accompanying income statement.

Details of the remaining terms until maturity of this heading are described in Note 6.6 regarding liquidity risk.

e) Subordinated liabilitites

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	
	2013	2012 (*)
Subordinated debt certificates including bonds:	**120,592**	**139,494**
Convertible	-	-
Non-convertible	120,592	139,494
Subordinated deposits	**-**	**-**
Valuation adjustments	**6,427**	**(216)**
Total	**127,019**	**139,278**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

The balance of "Other non-convertible securities" corresponds to different simple debt offerings, broken down as follows:

Date		Thousands of euros						
Issue	Maturity	Nominal	Cash	Own stock	Rating	Agency	Interest rate	Issue
16/03/2005	16/03/2015	300,000	299,286	(250,100)	BB -	FITCH	E3+0,80%	Cajamar Obligaciones subordinadas 2005
22/11/2005	23/11/2015	100,000	83,006	(11,600)	-	-	E3+0,90%	Ruralcaja Obligaciones subordinadas emisión 05
	Total issues	**400,000**	**382,292**	**(261,700)**				

The prospectus of the issue "Obligaciones Subordinadas Cajamar 2005", was prepared in accordance with National Stock Market Commission Circular 2/1999 was registered with this commission on 3 March 2005.

All issues have been classed as tier 2 capital as provided in Rule 8.1.j of Bank of Spain Circular 3/2008 and subsequent amendments.

The movement during 2013 and 2012 is as follows:

	Thousands of euros	
	2013	**2012 (*)**
Opening balance	**139,494**	**58,300**
Additions	-	-
Disposals	(18,902)	-
Incorporation to Grupo Cooperativo	-	98,384
Value adjustments for business combinations (Notes 1.5 and 4)	-	(17,190)
Closing balance	**120,592**	**139,494**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

In 2013 and 2012 no new issues took place.

Interest accrued during 2013 and 2012 year on these subordinated bonds totalled €7,039 and €2,888 thousand, respectively (Note 25) and they are included under the heading "Interest and similar charges" in the accompanying income statement.

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:

	Miles de euros	
	2013	2012
Obligaciones a pagar	58,050	57,413
Fianzas recibidas	108,059	191,100
Cámaras de compensación	13,491	6,978
Cuentas de recaudación	68,981	88,697
Cuentas especiales	16,289	14,200
Garantias financieras (Notas 3.6 y 9)	16,362	15,388
Otros conceptos	76,482	93,229
Total	**357,714**	**467,005**

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 2013 and 31 December 2012, the fair value of asset derivatives totalled €127,043 and 1€92,657 thousand, respectively, and the fair value of liability derivatives totalled €7,251 and €9,898 thousand, 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 2013 and 2012 are set out below by counterparty, remaining term and type of risk:

	Thousands of euros	
	2013	2012
By counterparty		
Resident credit institutions	839,107	869,835
Non-resident credit institutions	1,803,986	1,805,607
Other resident financial institutions	74,313	80,420
Other non-resident financial institutions	7,750	19,250
Rest of resident sectors	-	471,269
Rest of non-resident sectors	-	-
Total	**2,725,156**	**3,246,381**
By term to maturity		
Up to 1 year	1,415,453	59,367
More that 1 year and up to 5 years	1,309,703	3,187,014
More than 5 years	-	-
Total	**2,725,156**	**3,246,381**
By type of hedged risk		
Exchange rate risk	-	-
Interest rate risk	2,268,700	2,276,425
Share risk	456,456	969,956
Credit risk	-	-
Other risks	-	-
Total	**2,725,156**	**3,246,381**

9. Contingent risks

The breakdown of contingent risks at the end of 2013 and 2012, the nominal values of which are recorded in memorandum accounts, is set out below:

	Miles de euros	
	2013	2012
Guarantees:		
Financial sureties	235,963	258,286
Other financial guarantees	-	-
Assets earmarked for third-party obligations	-	-
Irrevocable letters of credit:		
Issued	12,619	18,209
Confirmed	-	-
Additional settlement guarantee	-	-
Other granted sureties and securities	480,664	502,866
Other contingent exposures	15,249	683,948
Total	**744,495**	**1,463,308**

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 2013 and 2012 totalled €40,765 and €39,851 thousand, respectively (Notes 7.7.f and 15).

The present value of future flows yet to be received for these contracts is €35,077 thousand in 2013 and €38,935 thousand in 2012.

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 as of 31 December 2013 and 2012 totalled €16,700 and €13,012 thousand, respectively (Note 16).

The balance at 31 December 2012 under "Other contingent risks" totals €683,948 thousand 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 2013 and 2012 are as follows:

Non-current assets held for sale and associated liabilities

	Thousands of euros	
	2013	**2012**
Tangible assets for own use	84,774	41,796
Investment properties	6,280	4,949
Other assets leased out under an operating lease	-	-
Assets awarded in foreclosure	354,523	432,149
Asset impairment adjustment (Notes 14 and 25)	(51,129)	(86,598)
Investment	-	-
Total	**394,448**	**392,296**

Details of tangible assets classified by use, without taking into account impairment adjustments, are as follows:

	Thousands of euros					
	Residential		**Industrial**		**Agricultural**	
Tangible assets	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Tangible assets for own use	9,888	4,627	73,288	36,524	1,598	645
Foreclosed	282,253	313,713	65,636	108,852	6,634	9,584
Investment properties	6,280	4,949	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**298,421**	**323,289**	**138,924**	**145,376**	**8,232**	**10,229**

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The average sale period for foreclosed assets obtained as payment of debt is two years and a half.

The fair value of the tangible assets recorded in this caption at 31 December 2013 and 2012, matches the book value.

Details of movement recorded in these captions on the consolidated balance sheet, without taking into account impairment losses, during 2013 and 2012, are as follows:

	Thousands of euros		
Cost	**Tangible assets For own use**	**Foreclosed**	**Investments**
Balance at 31 December 2011	**30,546**	**201,959**	**-**
Additions	3,332	139,546	679
Disposals	(2,165)	(30,252)	-
Incorporation of Ruralcaja	3,005	91,084	2,732
Incorporation of entities from Grupo Cooperativo	5,390	69,701	972
Transfers (Notes 12 y 15)	1,688	(34,578)	946
Reclasification transfers	-	(5,311)	-
Balance at 31 December 2012	**41,796**	**432,149**	**5,329**
Additions	3,411	95,985	548
Disposals	(2,422)	(34,516)	(712)
Transfers (Notes 12 y 15)	41,989	(139,095)	2,725
Balance at 31 December 2013	**84,774**	**354,523**	**7,890**
Accumulated depreciation			
Balance at 31 December 2011	**-**	**-**	**-**
Additions	-	-	-
Disposals	-	-	-
Incorporation of Ruralcaja	-	-	(144)
Incorporation of entities from Grupo Cooperativo	-	-	(80)
Transfers (Notes 12 y 15)	-	-	(156)
Balance at 31 December 2012	**-**	**-**	**(144)**
Additions	-	-	-
Disposals	-	-	21
Transfers (Notes 12 y 15)	-	-	(1,487)
Balance at 31 December 2013	**-**	**-**	**(1,610)**

In 2013 the Group transferred certain assets for its own use and investment properties, mainly commercial premises, to this heading for a net amount of €44,714 thousand (€1,688 thousand in 2012) and the carrying value is expected to be recovered upon disposal. Transfers for €139,095 thousand to foreclosing assets belong mainly to the reclassification of property investments, similarly in 2012 transfers by €34,578 thousand belong mainly to the reclassification of assets from real estate investments.

At 31 December 2013 eliminations from sales total €34,967 thousand in foreclosed assets and €2,422 thousand in tangible assets for own use (€30,252 thousand and €2,165 thousand, respectively at 31 December 2012)

In 2013 loans have been granted to finance the sale of property, plant and equipment foreclosed by the Group totalling €20,156 thousand (€12,742 thousand in 2012). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2013 was 51.64% (55.55% for the year 2012). There are gains pending recognition on the sale of these assets at 31 December 2013 and 31 December 2012 totalling €150 thousand.

Impairment losses recognized associated with Non-current assets for sale are as follows:

	Thousands of euros		
	Tangible assets For own use	Foreclosed	Investments
Imapairment losses			
Saldo al 31 de diciembre de 2011	**(375)**	**(19,711)**	**-**
Additions	-	(42,268)	-
Disposals	-	472	-
Incorporation of Ruralcaja	(545)	(15,254)	-
Incorporation of entities from Grupo Cooperativo	-	(12,494)	
Other movements, transfers or uses	-	(1,734)	-
Reclasification transfers	-	5,311	-
Balance at 31 December 2012	**(920)**	**(85,678)**	**-**
Additions	(49)	(21,294)	-
Disposals	-	6,459	130
Other movements, transfers or uses	-	13	-
Reclasification transfers	(289)	50,836	(336)
Balance at 31 December 2013	**(1,258)**	**(49,664)**	**(206)**

The additions to impairment losses on foreclosed fixed assets amounted to €31,855 thousand in 2012. These charges were in addition to the balances included in this heading and for this item prior to the date of acquisition or consolidation in the Group by Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito and the entities comprising the former Cooperativo Cajas Rurales del Mediterráneo Group, in the amounts of €6,132 thousand and €3,346 thousand, respectively (Notes 1.5 and 1.6).

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 2013 and 2012 are included in Appendix I.

	Thousands of euros	
	2013	2012
Investments		
Associates	54,633	61,734
Jointly controlled entities	-	-
Total	**54,633**	**61,734**

At year-end 2013 and 2012, the “Investments” caption reflected the value of investments accounted for by the equity method and had the following movements:

	Thousands of euros	
	2013	**2012**
Opening balance	**61,734**	**50,414**
Additions through transfers, purchases and capital increases	105	10,557
Sales of shareholdings and return of contributions	(17,370)	(8,532)
Disposals through transfer of shareholdings and removals from scope	-	-
Result from the equity method	9,386	9,601
Other consolidation activity	778	(306)
Closing balance	**54,633**	**61,734**

Details of investments at 31 December 2013 y al 31 December de 2012 is as follows:

	Thousands of euros	
	2013	**2012**
Inversiones Turísticas y Hoteleras Inmo, S.L	-	236
Cajamar Vida, S.A. de seguros y reaseguros	28,122	24,703
Agrocolor, S.L	496	509
Parque de Innovación y Tecnológico de Almería, S.A.	3,541	4,022
Murcia Emprende, S.C.R, S.A.	1,353	1,317
Sabinal Agroservicios, S.L.	24	24
Banco Inversis, S.A.	-	8,656
Biocolor, S.L.	279	301
Savia Biotech, S.A.	-	49
Proyecta Ingenio, S.L.	20	30
Cajamar Seguros Generales, S.A	4,000	3,181
Apartamentos Media Luna	16,692	16,804
Balsa Insa, S.L.	-	1,901
Hábitat Utiel, S.L.	1	-
Renovables la Unión, S.C.P.	105	-
Total	**54,633**	**61,734**

The additions in 2013 correspond to the first-time consolidation of Renovables la Unión, S.C.P. in the amount of €104 thousand and the incorporation of Habitat Utiel, S.L. in the amount of €1 thousand, both of which due to transfers from the portfolio of available-for-sale assets.

Additions for 2012 relate to the deconsolidation of Banco Inversis, S.A. amounting to €8,506 thousand owing to the transfer of the available for sale portfolio and the inclusion of Balsa de Insa, S.L. amounting to €1,901 thousand, as a result of its integration in the Cooperative Group Caixa Rural Vila-Real, Sociedad Cooperativa de Crédito.

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, which will end in 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 of variable price value changes are recognised as "Profit/(loss) on financial operations", segregating the financial yield. In 2013 the recognition of the variation in the variable price resulted in a profit of €16,589 thousand. In 2012 no results were recognised, in view of the necessary requirement of reliability and verification of the calculations made.

The results in "Shareholdings" in entities measured using the equity method at 31 December 2013 and 2012 totalled €9,386 and €9,601 thousand, respectively (Note 25).

The heading "Customer loans - Measurement adjustments" at 31 December 2013 and 2012 includes €779 thousand 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 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Own use	708,259	764,460
Investment properties	234,398	150,278
Other assets leased out under an operating lease	-	-
Assigned to the Education and Development Fund (Note 21)	8,121	8,659
Impairment adjustments	(63,019)	(16,218)
Total	**887,759**	**907,179**

The breakdown of tangible assets for own use recorded under this caption on the consolidated balance sheet and the movements during 2013 and 2012, in this caption, are as follows:

	Thousands of euros					
For own use	**IT equipment**	**Furniture, Fixtures and Other**	**Buildings**	**Buildings under construction**	**Other**	**TOTAL**
Cost						
Balance at 31 December 2011	**118,768**	**287,656**	**365,755**	**31,639**	**13,382**	**817,200**
Additions	7,019	7,637	4,464	24,922	-	44,042
Disposals	(187)	(12,406)	(261)	-	-	(12,854)
Incorporation of Ruralcaja	32,038	89,846	146,343	6,287	-	274,514
Incorporation of entities of Grupo Cooperativo	19,177	54,349	97,590	796	-	171,912
Additions to the scope	-	-	-	-	-	-
Transfers	1,034	1,269	20,996	(13,664)	-	9,635
Balance at 31 December 2012	**177,849**	**428,351**	**634,887**	**49,980**	**13,382**	**1,304,449**
Additions	7,005	14,548	8,095	6,601	65	36,314
Disposals	(1,880)	(17,055)	(5,236)	(413)	(135)	(24,719)
Incorporation of Ruralcaja	-	-	-	-	-	-
Incorporation of entities of Grupo Cooperativo	-	-	-	-	-	-
Additions to the scope	-	-	-	-	-	
Transfers	108	9,014	(43,857)	(18,060)	8,375	(44,420)
Balance at 31 December 2013	**183,082**	**434,858**	**593,889**	**38,108**	**21,687**	**1,271,624**
Accumulated Depreciation						
Balance at 31 December 2011	**(93,458)**	**(194,166)**	**(39,445)**	**-**	**(1,294)**	**(328,363)**
Additions	(8,826)	(20,337)	(6,124)	-	(131)	(35,418)
Disposals	1,182	9,610	1,080	-	-	11,872
Incorporation of Ruralcaja	(29,910)	(66,103)	(20,312)	-	-	(116,325)
Incorporation of entities of Grupo Cooperativo	(18,522)	(40,898)	(11,978)	-	-	(71,398)
Transfers	-	-	(309)	-	(48)	(357)
Balance at 31 December 2012	**(149,534)**	**(311,894)**	**(77,088)**	**-**	**(1,473)**	**(539,989)**
Additions	(9,669)	(26,331)	(8,048)	-	(207)	(44,255)
Disposals	1,813	14,458	3,881	-	152	20,304
Incorporation	-	-	-	-	-	-
Incorporation of entities of Grupo Cooperativo	-	-	-	-	-	-
Transfers	(98)	(2,904)	3,657	-	(80)	575
Balance at 31 December 2013	**(157,488)**	**(326,671)**	**(77,598)**	**-**	**(1,608)**	**(563,365)**

	Thousands of euros					
For own use	**IT equipment**	**Furniture, Fixtures and Other**	**Buildings**	**Buildings under construction**	**Other**	**TOTAL**
Imapairment losses						
Balance at 31 December 2011	**-**	**-**	**(512)**	**-**	**-**	**(512)**
Additions	-	-	(738)	-	-	(738)
Disposals	-	-	-	-	-	-
Other movements, transfers or uses	-	-	-	-	-	-
Balance at 31 December 2012	**-**	**-**	**(1,250)**	**-**	**-**	**(1,250)**
Additions	-	-	(775)	-	-	(775)
Disposals	-	-	974	-	-	974
Other movements, transfers or uses	-	-	50	-	-	50
Balance at 31 December 2013	**-**	**-**	**(1,001)**	**-**	**-**	**(1,001)**

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 2013 and 2012, in this caption, are as follows:

	Thousands of euros			
	Investment properties		**Assigned to the Education and Development Fund**	
	Buildings	Properties, plots and sites	Furniture and Fixture	Property
Cost				
Balance at 31 December de 2011	**107,248**	**23,648**	**2,644**	**4,031**
Additions	31,337	3	70	1
Disposals	(4,636)	-	(2)	-
Incorporation of Ruralcaja	5,725	-	1,069	3,595
Incorporation of entities of Grupo Cooperativo	11,815	463	2,089	4,401
Transfers	(14,096)	3,035	-	-
Transfer reclassification	(4,698)	-	-	-
Balance at 31 December de 2012	**132,695**	**27,149**	**5,870**	**12,028**
Additions	28,235	2,946	15	4
Disposals	(3,967)	(636)	(78)	(271)
Transfers	87,736	(28,008)	-	-
Balance at 31 December de 2013	**244,699**	**1,451**	**5,807**	**11,761**
Accumulated Depreciation				
Balance at 31 December de 2011	**(7,085)**	**(302)**	**(2,275)**	**(2,161)**
Additions	(2,231)	-	(64)	(87)
Disposals	288	34	2	-
Incorporation of Ruralcaja	(216)	-	(980)	(703)
Incorporation of entities of Grupo Cooperativo	(570)	-	(1,773)	(1,198)
Transfers	516	-	-	-
Balance at 31 December de 2012	**(9,298)**	**(268)**	**(5,090)**	**(4,149)**
Additions	(3,101)	-	(141)	(214)
Disposals	4	-	72	75
Transfers	912	-	-	-
Balance at 31 December de 2013	**(11,483)**	**(268)**	**(5,159)**	**(4,288)**

	Thousands of euros			
	Investment properties		**Assigned to the Education and Development Fund**	
	Buildings	Properties, plots and sites	Furniture and Fixture	Property
Impairment losses				
Balance at 31 December de 2011	**(5,302)**	**(36)**	**-**	**-**
Additions	(14,459)	-	-	-
Disposals	240	-	-	-
Incorporation of Ruralcaja	(109)	-	-	-
Transfer reclassification	4,698	-	-	-
Balance at 31 December de 2012	**(14,932)**	**(36)**	**-**	**-**
Additions	(4,662)	-	-	-
Disposals	2,401	-	-	-
Transfers	(44,825)	36	-	-
Balance at 31 December de 2013	**(62,018)**	**-**	**-**	**-**

In 2013 sales and write-offs of certain property, plant and equipment generated gains totalling €633 thousand (€3,110 thousand at 31 December 2012) and losses totalling €5,662 thousand (€12,669 thousand at 31 December 2012) (Note 25).

At 31 December 2013 and 31 December 2012 the Lead Entity had yet to recognize €9,363 thousand from the financing of sale transactions originating in 2006 for the sale of certain assets classified as property investments and €125 thousand for the sale of properties for own use carried out in 2010.

At 31 December 2013 the Group has commitments to acquired assets totalling €1,384 thousand (€1,659 thousand at 31 December 2012).

Fully depreciated assets still in use by the Group at 31 December 2013 totalled €335,449 thousand (€288,248 thousand at 31 December 2012).

The fair value of property for own use and investment properties matches book value.

Rental income from investment properties amounted to €3,547 thousand in 2013 (€5,855 thousand in 2012) (Note 25). No expenses were recognised in connection with these investments in 2013, whereas the Group recognised €283 thousand of expense in this regard in 2012 (Note 25).

13. Intangible Assets

Details of this caption on the accompanying consolidated balance sheets at 31 December 2013 and 2012 are as follows:

	Thousands of euros		
	Estimated useful life	**2013**	**2012 (*)**
With indefinite useful life	-	**122,390**	**122,390**
With finite useful life:	-	**338,139**	**331,943**
Computer applications	3 - 10 años	111,272	105,076
Administrative concessions	35 años	18,406	18,406
Other intangible assets	3 - 10 años	208,461	208,461
Gross total		**460,529**	**454,333**
Of which:			
Developed in-house	3 - 10 años	4,853	4,853
Other	3 - 35 años	455,676	449,480
Accumulated depreciation	-	(117,976)	(88,019)
Impairment losses	-	(6,495)	(5,999)
Net total		**336,058**	**360,315**

The movement of the intangible assets with a finite useful life included in this caption on the consolidated balance sheet throughout the years 2013 and 2012 has been as follows:

	Thousands of euros	
	2013	**2012 (*)**
Cost		
Opening balance	**331,942**	**117,579**
Additions	10,364	10,385
Disposals	(4,167)	(257)
Incorporation of Entities Grupo Cooperativo	-	628
Other (Valuation adjustments due to business combinations (Notes 1.6)	-	203,607
Ending Balance	**338,139**	**331,942**
Depreciation and amortisation		
Opening balance	**(88,019)**	**(74,932)**
Additions	(29,957)	(12,974)
Disposals	-	-
Incorporation of Entities Grupo Cooperativo	-	(113)
Other	-	-
Ending Balance	**(117,976)**	**(88,019)**
Impairment		
Opening balance	**(5,999)**	**-**
Additions	(496)	(5,999)
Disposals	-	-
Other	-	-
Ending Balance	**(6,495)**	**(5,999)**
Total Net	**213,668**	**237,924**

The intangible asset with an indefinite useful life relates mainly to goodwill on the business combination resulting from the merger with Caja Rural del Mediterráneo,Sociedad Cooperativa de Crédito (Notes 3.10 and 1.5).

The aforementioned goodwill has been allocated to the Commercial Banking cash-generating unit (CGU), which encompasses the retail banking business. The Group has calculated the value in use of its investment in Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito at 31 December 2013 in order to update its valuation to reflect prevailing circumstances. Value in use was determined using cash-flow projections based on business projections to 2018 plus an estimated terminal value. These cash flows were discounted at the average cost of capital, using market rates as inputs.

A sensitivity analysis of the valuation against reasonably possible changes in key variables measurements has been peformed (distributable cash flow used to calculate the terminal value, growth rate in perpetuity on said cash flow and discount rate), noting that in any case these variations would result in the need to recognize an impairment on investment because the calculated value in use would still be higher than the book value of the investment.

Fully amortized intangible assets still in use by the Group at 31 December 2013 totalled €75,154 thousand (€66,221 thousand at 31 December 2012).

In addition to the impairment losses recognised under this heading on the consolidated balance sheet, goodwill has been written down by €7,960 thousand relating mainly to the associate Banco Inversis, S.A. (Note 25).

14. Measurement adjustments for the impairment of other assets

Details of the movements in non-financial asset impairment adjustments during 2013 and 2012 are as follows:

Year 2013

By type of asset	Thousands of euros				
	Non-current assets held for sale	**Tangible assets- Investment properties**	**Intangible assets and goodwill**	**Inventories**	**Total**
Opening balance - specific provision	**(86,598)**	**(14,969)**	**(13,959)**	**(540,719)**	**(569,647)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(22,967)	(4,727)	(496)	(90,428)	**(95,651)**
Recovered funds (Notes 10, 12, 15 and 25)	1,623	65	-	-	**65**
Write-offs due to use, transfers and others	56,814	(42,387)	7,960	282,545	**248,118**
Closing balance - specific provision	**(51,128)**	**(62,018)**	**(6,495)**	**(348,602)**	**(417,115)**

Year 2012

By type of asset	Thousands of euros				
	Non-current assets held for sale	**Tangible assets- Investment properties**	**Intangible assets and goodwill**	**Inventories**	**Total**
Opening balance - specific provision	**(20,086)**	**(5,338)**	**-**	**(181,184)**	**(186,522)**
Incorporation of Ruralcaja	(15,799)	(110)	-	(839)	**(949)**
Incorporation of entities of Grupo Cooperativo	(12,494)	-		(110,409)	**(110,409)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(42,268)	(14,459)	(13,959)	(280,175)	**(308,593)**
Recovered funds (Notes 10, 12, 15 and 25)	472	240	-	618	**858**
Write-offs due to use, transfers and others	3,577	4,698	-	31,270	**35,968**
Closing balance - specific provision	**(86,598)**	**(14,969)**	**(13,959)**	**(540,719)**	**(569,647)**

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 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Other Assets:		
Prepayment and accrued income	15,476	16,258
Inventories:		
Amortised cost	1,344,515	1,399,068
Asset impairment adjustments (Note 14)	(348,602)	(540,719)
Other:		
Net assets in pension funds (Note 16)	1,060	2,593
Operations in transit	11,211	22,729
Other items	60,451	143,889
Total	**1,084,111**	**1,043,818**
Other liabilities:		
Prepayment and accrued income	40,112	27,736
Other:		
Operations in transit	10,942	10,672
Other items	176,819	295,833
Total	**227,874**	**334,241**

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 2013 and 2012, is as follows:

	Thousands of euros	
Cost	**2013**	**2012**
Opening Balance	**1,399,068**	**990,021**
Additions	248,831	435,716
Disposals	(107,691)	(38,720)
Incorporation of Ruralcaja	-	7,230
Incorporation of entities of Grupo Cooperativo	-	2,968
Disposals due to impairment	(274,767)	
Transfers (Notes 10 y 12)	79,073	33,123
Transfer reclassification	-	(31,270)
Ending Balance	**1,344,514**	**1,399,068**

	Thousands of euros	
Impairment	**2013**	**2012**
Opening Balance	**(540,719)**	**(181,184)**
Additions	(90,428)	(280,175)
Disposals	13,263	618
Incorporation of Ruralcaja	-	(839)
Incorporation of entities of Grupo Cooperativo	-	(110,409)
Disposals due to impairment	274,767	
Transfers (Notes 10 y 12)	(5,485)	-
Transfer reclassification	-	31,270
Ending Balance	**(348,602)**	**(540,719)**

The aditional hedge for impairment of real state assets due to the loss of value of such assets (Note 2.6), amount to €171,092 thousand, aditionally the balances included in this line and for this concept by Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito amount to €839 thousand, which were registered by the entity before adquisition date (Note 1.5).

In 2013, the Group extended loans in the amount of €11,738 thousand to finance the sale of properties classified by the Group within "Inventories". The average loan-to-value for all foreclosed assets sold in 2013 was 38.24%.

The fair value of inventories recorded under this caption at 31 December 2013 and 2012 matches the book value.

16. Provisions

Details of this caption on the consolidated balance sheets at 31 December 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Pension fund and similar obligations (Note 3.20)	13,008	18,566
Provisions for taxes and other legal contingencies	-	1,536
Provisions for contingent exposures and commitments (Note 9)	16,700	13,012
Other provisions	75,723	158,234
Total	**105,431**	**191,348**

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	
	2013	**2012**
Other assets - Net assets in pension plans (Notes 3.20 and 15)	1,060	2,593
Provisions – Pension fund and similar obligations (Note 3.2)	13,008	18,566

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					
	2013			2012		
	Active and retired personnel	**Early retirement**	**Other commitments**	**Active and retired personnel**	**Early retirement**	**Other commitments**
Current value of obligations:						
Commitments to active staff	51,564	-	-	48,305	-	1
Commitments to early-retired staff	-	12,969	-	-	33,396	-
Commitments to retired personnel	53	-	-	1,002	-	-
Fair value of plan assets (-):						
Pension Plan Assets	(22,122)	-	-	(21,068)	-	-
Insurance Policy	(31,699)	39	-	(31,386)	(14,831)	-
Actuarial profit not recognised on the balance sheet (+)	-	-	-	2	-	-
Actuarial losses not recognised on the balance sheet (-)	-	-	-	(422)	-	-
Cost past services not yet recognised on the balance sheet (-)	-	-	-	(528)	-	-
Other assets not recognised on the balance sheet	1,144	-	-	1,502	-	-
(Other assets) / Provisions recognised on the balance sheet	**(1,060)**	**13,008**	**-**	**(2,593)**	**18,565**	**1**

Details of movement in net assets and liabilities during the year, recognised on the consolidated balance sheet, are as follows:

	Thousands of euros					
	2013			2012		
	Active and retired personnel	**Early retirement**	**Other commitments**	**Active and retired personnel**	**Early retirement**	**Other commitments**
(Other assets) / Provisions opening balance for the year	**(2,593)**	**18,565**	**1**	**(3,067)**	**21,086**	**1**
Incorporation Entities Grupo Cooperativo	-	-	-	(692)	2,621	-
Incorporation of Ruralcaja	-	-	-	(89)	-	-
Incorporation of CR Castellón	-	-	-	(74)	865	-
Incorporation of Caja Campo	-	-	-	-	-	-
Provisions	3,093	489	-	2,331	2,114	-
Actuarial gains / (losses) recognised in equity	(488)	-	-	-	-	-
Recovered funds	28	-	-	18	-	-
Other movements	102	-	-	(41)	-	-
Cash outflow	(1,202)	(6,046)	-	(979)	(8,121)	-
(Other assets) / Provisions closing balance for the year	**(1,060)**	**13,008**	**1**	**(2,593)**	**18,565**	**1**

The breakdown of total expenses and income recognised on the consolidated income statement in relation to pensions during 2013 and 2012, distributed between the different items, is as follows:

	Thousands of euros	
	2013	**2012**
Personnel expenses (ordinary cost for the period) (Note 25)	(1,726)	(2,094)
Interest expense and similar charges (cost of interest) (Note 25)	(2,251)	(2,627)
Interest and similar earnings (earnings from Plan assets) (Note 25)	1,793	2,111
Provisions (Note 25):	(1,467)	(1,836)
Accounting (expense)/income	**(3,651)**	**(4,445)**

The contributions for defined benefit pension commitments made by the Group in 2013 and 2012 to the external pension plan totalled €346 thousand and €7,733 thousand, 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 2013 and 2012 are as follow:

	Thousands of euros			
	Specific Hedges	**Sub-prime Hedges**	**General Hedges**	**Total**
Balance at 31 December 2011	**3,535**	**-**	**878**	**4,413**
Provisions (Note 25)	5,241	2,113	1,067	**8,421**
Recoveries (Note 25)	(1,658)	-	(913)	**(2,571)**
Incorporation of Ruralcaja	2,428	-	-	**2,428**
Incorporation Entities Grupo Cooperativo	195	75	477	**747**
Other movements	(428)	-	2	**(426)**
Balance at 31 December 2012	**9,313**	**2,188**	**1,511**	**13,012**
Provisions (Note 25)	8,374	-	615	**8,989**
Recoveries (Note 25)	(2,397)	(1,512)	(1,411)	**(5,320)**
Other movements	(3)	-	23	**20**
Balance at 31 December 2013	**15,287**	**676**	**738**	**16,701**

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 2013 and 2012 is as follows:

Year 2013	Thousands of euros			
	Market	**Sundry**	**Other responsibilities**	**Total**
Opening balances	**-**	**644**	**157,590**	**158,234**
Provisions (Note 25)	25,304	1,751	86,124	**113,179**
Recovered funds (Note 25)	(22,670)	-	(1,670)	**(24,340)**
Funds used and other changes	-	98	(171,447)	**(171,349)**
Closing balances	**2,634**	**2,493**	**70,597**	**75,724**

Year 2012	Thousands of euros			
	Market	Sundry	Other responsibilities	Total
Opening balances	**-**	**38**	**5,458**	**5,496**
Provisions (Note 25)	-	56	80,643	**80,699**
Incorporation of Ruralcaja	-	588	55,002	**55,590**
Incorporation of entities of Grupo Cooperativo	-	-	37,039	**37,039**
Recovered funds (Note 25)	-	(38)	(10,967)	**(11,005)**
Funds used and other changes	-	-	(9,585)	**(9,585)**
Closing balances	**-**	**644**	**157,590**	**158,234**

In this account the Group records the various contingencies considered to be probable and they are classified in accordance with three types of risk:

- Market risk, due to the activity carried out by the Group with respect to investments that will probably give rise to contingencies that must be covered.
- Sundry risks, for which provisions have been recorded covering unresolved issues that the Group believes will result in a probable payment.
- Other liabilities, estimating probable payments deriving from the Group's normal activities.

The Governing Board of the Parent Entity approved the Collective Restructuring, Merger and Labour Agreement on 27 December 2012, having been negotiated with the Entity's management and all of the employees' union representatives. The Agreement contemplates up to 736 redundancies. The most significant aspect is a voluntary early retirement plan for employees aged 55 and over (aged 53 and over in the case of those located in Valencia). In order to adequately cover the commitments assumed under this agreement, the Group has recognised a provision for other liabilities and charges at 31 December 2013 of €53,611 thousand (€144,364 thousand at 31 December 2012), of which €53,254 thousand correspond to provisions made at the Parent Entity (€54,179 thousand at 31 December 2012 and €48,042 thousand corresponding to balances of the merged entity Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito upon first-time consolidation), while €357 thousand corresponded to entities of the Cajas Rurales Unidas Cooperative Group (€42,103 thousand at 31 December 2012).

17. Minority interests

Details of this caption on the accompanying consolidated balance sheets at 31 December 2013 and 2012 are as follows:

	Thousands of euros	
	2013	2012
Parque industrial Acceso Sur, S.L.	620	835
Total	**620**	**835**

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 2013 and 2012 is as follows:

	Thousands of euros	
	2013	**2012**
Opening balance	**(12,929)**	**(14,290)**
Net changes in the fair value of debt securities	182,073	56,597
Net incorporation of debt securities from Entities of Grupo Cooperativo	-	(4,203)
Net incorporation of debt securities from Ruralcaja	-	(371)
Net changes in the fair value of equity instruments	3,431	6,190
Net incorporation of equity instruments from Entities of Grupo Cooperativo	-	2,212
Net incorporation of equity instruments from Ruralcaja	-	847
Sale of available-for-sale financial assets	(164,375)	(61,058)
Net changes of entities accounted for by the equity method	1,575	1,147
Closing balance	**9,775**	**(12,929)**

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.

The breakdown of valuation adjustments by Group Company at 31 December 2013 and 31 December 2012 is as follows:

	Thousands of euros	
	2013	**2012**
Cajas Rurales Unidas, S.C.C	5,003	(11,806)
Sunaria Capital, S.L.	-	53
Cajamar Vida, S.A. de Seguros y Reaseguros	1,262	11
Banco Inversis, S.A.	-	(200)
Cajamar Seguros Generales, S.A.	140	16
Caja de Crédito de Petrel,Caja Rural, C.C.V.	150	(10)
Caixa Rural de Turís C.C.V.	(12)	28
Caja Rural de Canarias, S.C.C.	-	(1,843)
Caja Rural de Alginet, S.C.C.V.	224	42
Caja Rural San Roque de Almenara, S.C.C.V.	12	12
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	(6)	-
Caixa Rural Altea, S.C.C.V.	5	-
Caja Rural San Jose de Burriana, C.C.V.	1,041	(527)
Caixa Rural de Callosa de Sarria, C.C.V.	7	15
Caja Rural de Cheste, S.C.C.	92	78
Caja Rural la Junquera de Chilches, C.C.V.	4	12
Credit Valencia Caja Rural, C.C.V.	-	1,618
Caja Rural San José de Nules, S.C.C.V.	184	278
Caja Rural de Torrent, S.C.C.	935	419
Caja Rural San Isidro de Vilafamés, C.C.V.	1	5
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	589	(276)
Caja Rural de Villar, C.C.V.	(50)	(87)
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	212	(20)
Caixa Rural Vila-Real, S.C.C.	(18)	(747)
Total	**9,775**	**(12,929)**

19. Share Capital (Capital and other equity instruments) and capital reimbursable on demand (Liability)

Movement in these captions during the years 2012 and 2011 is as follows:

	Thousands of euros	
	2013	**2012**
Opening balance:		
Capital booked under Equity (1)	2,079,427	1,398,437
Capital refundable on demand booked under Liabilities (2)	-	92
Total subscribed capital (1) + (2)	**2,079,427**	**1,398,529**
Increases	906,590	1,014,489
Decreases	(644,720)	(658,133)
Incorporation of Ruralcaja	-	251,850
Incorporation Entities Grupo Cooperativo	-	72,692
Closing balance:		
Total subscribed capital	**2,341,297**	**2,079,427**

The figure for capital included by Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito is made up of the figure for capital of this Entity, €270,659 thousand, less treasury shares held by the entities of the former Cajas Rurales del Mediterráneo Cooperative Group amounting to € 18,809 thousand.

At 31 December 2013 the Governing Body of Grupo Cooperativo Cajamar has classified €25,465 thousand (€72,679 thousand at 31 December 2012) 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 Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, as the Lead Entity of the Cooperative Group at 31 December 2013 totals €2,315,832 thousand (€2,022,567 thousand at 31 December 2012), all of which is classified under equity. The Lead Entity's minimum share capital, according to Article 49 of the by-laws, is set at €25,000 thousand and is variable and formed by mandatory contributions of €61 each.

The contributions of members to the share capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, 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 2013 the largest contribution equalled 0.02% of share capital (0.2% at the end of 2012).

Contributions to share capital accrue the interest agreed by the General Assembly, which is subject to the limits established by current legislation.

The interest payment of the capital contributions of the partners of the Group at 31 December 2013, has led to the amount of €75,728 thousand in full against equity.

Both Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito and their successor, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito adopted in 2012 agreements concerning the remuneration of share capital and paid interest jointly to their shareholders amounting to €62,484 thousand.

With respect to the shareholders of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, the payment amounted to € 50,258 thousand, recognised in full against that entity's equity and up to 31 October 2012. With respect to the shareholders of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, €12,226 thousand was paid relating to the two month period 1 November 2012 to 31 December 2012, on account of the surplus resulting in that period. Lastly, in relation to members originating from Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito, at 31 December 2012 the Group had a payment obligation of €7,053 thousand, which was written off against the Entity's equity in 2013 in the wake of the resolution ratified at the Ordinary General Assembly of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito.

At 31 December 2013 and 2012 the share capital of all the credit institutions making up the Cooperative Group and in accordance with their respective bylaws, is classified in full under equity in their financial statements.

20. Solvency

Details of the "Reserves" caption under "Equity" on the accompanying consolidated balance sheets at 31 December 2013 and 2012 are as follows:

	Thousands of euros	
Accumulated reserves	**2013**	**2012 (*)**
Mandatory Reserve Fund	294,063	1,264,402
Voluntary Reserve Fund	9,766	2,397
Other reserves	81	(743)
Revaluation Reserves - Royal Decree-Law 7/1996	3,779	1,595
Revaluation Reserves generated by IFRS and Bank of Spain Circular 4/2004	66,896	65,526
Reserves for investment in Canarias	24,086	23,976
Consolidation Reserves	13,252	39,679
Carryover	-	(16,597)
Adjustmens in gains and losses for pension plans	295	-
Total Accumulated reserves	**412,218**	**1,380,235**
Reserves (losses) in entities accounted for by the equity method		
Associates	6,038	(3,186)
Jointly-controlled entities	-	-
Total reserves (losses) in entities accounted for by the equity method	**6,038**	**(3,186)**
Total Reserves	**418,256**	**1,377,049**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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 20% 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 2012 and 2011 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). No amount was transferred during the years 2013 and 2012 to voluntary reserves.

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 Entity’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 2013 €2,555 thousand were transferred to voluntary reserves (€1,877 thousand in 2012).

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 2013 and 2012 is as follows:

	Thousands	
	2013	**2012**
Cajas Rurales Unidas, S.C.C	4,347	-
Inversiones Turísticas y Hoteleras INMO, S.L.	-	29
Tino Stone Group, S.A.	(3,385)	(3,385)
Cultipeix, S.L.	(1,994)	(1,994)
Parque Innovación y Tecnología de Almería, S.A.	(1,016)	(389)
Cajamar Vida, S.A. de Seguros y Reaseguros	11,756	11,319
Apartamentos Media Luna S.L.	(55)	(523)
Banco Inversis	-	(4,433)
Balsa Insa, S.L.	(2,852)	(2,852)
Resto de entidades asociadas	(764)	(958)
Total	**6,038**	**(3,186)**

Solvency - 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 2013 and 2012, 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:

	Thousand of Euros	
	2013	**2012**
Capital adequacy	2,361,972	2,276,594
Tier two eligible capital	130,382	210,674
Credits	(69,289)	(68,368)
Total eligible capital base	**2,423,065**	**2,418,900**
Total eligible capital requirements	**1,716,519**	**1,969,606**
Eligible capital surplus/deficit	**706,546**	**449,294**
Solvency ratio	**11.3%**	**9.8%**
Main capital figure	**2,327,327**	**2,265,080**
Main capital ratio	**10.9%**	**9.2%**

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 10,881 thousand euros and 12,326 thousand euros at 31 December 2013 and 2012, respectively.

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 Cooperative Group carries out their own activities financed by the Education and Development Fund and the most significant in 2013 and 2012 are as follows:

- Projects related to actions to promote cooperativism, local and rural development and support social, welfare and cultural development in the geographical area where it carries out its activities. The financial support afforded to these projects has given rise to direct aid provided to non profit institutions and associations.

- Analysis and sectoral studies, reports and publications of monographs, organizing courses and technical seminars, boost financial education in values and sociocultural actions aimed to enhance the knowledge of the production environment and social development in the different areas that make up our scope, and have been made by both the Servicio Técnico Agroalimentario y Cooperativo and the foundation of our organization.

- In terms of agrifood innovation, research projects for the optimization in the management of protected crops and fruit production, efficient use of water, fertilizer and energy, improved structures and covering materials and climate management and integrated control of pest and diseases in horticultural crops that have been developed in the Estación Experimental “Las Palmerillas” (Almería) and the Centro de Experiencias de Paiporta (Valencia). Activities relating to the disclosure and sharing of knowledge through the organisation of technical meetings, seminars and courses aimed at farmers and agricultural technicians providing advisory services to the sector. Support services, farmers and food and agricultural companies interested in making new investments in order to include new production technologies. Performance of socio-economic studies and publication of materials related to food and agricultural activities and the economy in general. Through our foundations, education and environmental awareness projects have been carried out together with environmental regeneration work on degraded land, through collaboration with teaching centres.

- On the cultural front, music and the theatre have played a noteworthy role, through the series of conferences “La Mirada del Hombre” and “Encuentro con el autor”, the School Theatre Programme and the Educational Concert programme. We have continued to support the Provincial Games and the Fair Play Programme of Almeria, the Municipal Cycling School and the Andalucía Olympic Foundation. Through our collaboration programme, more than 80 non-profit entities received economic assistance for their work programmes.

- Concerning international cooperation, we continued to carry out our campaign in favour of the Millennium Development Objectives. Therefore, in 2012, together with Unicef and Manos Unidas, we collaborated in the attainment of the fifth objective: improving maternal health. By carrying out activities in three strategic lines of work: direct economic contributions to Spanish organisations with specific work programmes aimed at improving maternal health, awareness campaigns and promotion of donations collected through our branch network.

- Programmes and initiatives aimed at economic, social and cultural development through the employee association Acremar and members of the Entity’s Solidarity Team and Volunteer Programme.

- 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 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. Afterwards the Governing Bodies, in its monthly meeting, or the Executive Commission of the Governing Bodies, in its weekly sessions, evaluate the applications presented to be subsidized with the Education and Development Fund funds, accepting or rejecting each application.

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 2013 and 2012, is the following:

	Thousand of Euros	
	2013	**2012**
Application of the Education and Development Fund		
Tangible assets:	**8,121**	**8,659**
Cost	17,568	17,898
Accumulated depreciation	(9,447)	(9,239)
Asst impairment adjustments	-	-
Other debtor balances	**-**	**-**
Total	**8,121**	**8,659**
Education and Development Fund		
Appropriation:	10,978	12,976
Applied to tangible assets (Note 12)	7,139	7,935
Applied to other investments	643	458
Expense commitments undertaken during the year	6,245	14,743
Maintenances expenses for the year in progress	(4,192)	(11,401)
Amount not committed to	712	1,241
Surplus	431	-
Revaluation reserves	1,316	1,316
Other liabilities	1,910	1,388
Total	**14,204**	**15,680**

The budget of expenses and investments of the Fund for Education and Promotion for 2013 amounted to €6,245 thousand (€14,743 thousand in 2012). 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 2013 and 2012 is as follows:

	Thousand of Euros	
	2013	**2012**
Opening balance	**15,680**	**5,622**
Distribution of previous year surplus	4,026	338
Extraordinary allocation againts reserves	137	10,500
Incorporation of Ruralcaja	-	4,320
Incorporation of Cooperative Group Entities	-	5,123
Maintenance expense for the year	(4,192)	(11,401)
Other	(1,447)	1,178
Closing balance	**14,204**	**15,680**

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 2013 and 2012 no significant transactions were carried out and none took place under non-market conditions with parties related to the Group.

At 31 December 2013 and 2012, the Parent's balances generated as a result of transactions with associated parties are as follows:

	Thousands of euros							
	Associates		**Other related entities**		**Board Members and Directors**			
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
					Direct		**Indirect**	
ASSETS								
Loans	31,153	27,941	103,097	120,792	14,924	4,228	51,726	33,431
Deposits to Group Entities	-	-	-	14,080	-	-	-	-
Credit risk hedges (-)	(8,799)	(699)	(5,950)	(3,046)	(433)	(75)	(2,207)	(773)
Investments	27,035	42,605	67,916	-	-	-	-	-
Investment provisions (-)	(2,713)	(19,752)	(29,359)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
LIABILITIES								
Term deposits	45,880	14,750	13,562	8,756	11,211	563	39,728	12,091
Deposits with group entities	-	-	-	199,091	-	-	-	-
Other demand deposits	49,820	40,443	42,309	11,535	3,622	296	13,786	1,282
MEMORANDUM ACCOUNTS								
Financial guarantees	188	2,269	3,240	16,900	7	43	98	220
Available	702	1,659	57,694	58,121	480	128	1,683	436
GAINS AND LOSSES								
Income:								
Interest and similar income	8	16	2,625	1,349	355	93	1,338	929
Income from variable income portfolio	-	-	-	-	-	-	-	-
Fee and commission income	56	96	669	285	24	4	269	38
Other products	2,412	372	-	-	-	-	-	-
Expenses:								
Interest and similar charges	732	723	2,129	1,737	210	43	1,157	510
Fee and commission expense	-	-	-	-	-	-	-	-
Other expenses	1	2	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2013 and 2012 with parties related to the Parent are as follows:

	Thousands of euros	
Outstanding balances	**Related Parties**	
	2013	**2012**
Loans:		
Amount	1,768,739	205,824
Interest rate	0.29% a 11.50%	0.99% a 9.00%
Guarantee	Personal and mortgage	Personal and mortgage
Term to maturity	1 to 40 years	1 to 40 years
Deposits:		
Amount	253,223	288,807
Interest rate	0.00% a 4.65%	0.00% a 5.00%
Term to maturity	0 to 3 years	1 to 2 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 2013 and 2012:

	Governing Board	Thousands of euros 2013	2012
	Mr. Juan De La Cruz Cárdenas Rodríguez	31	31
	Mr. Manuel Yebra Sola	32	5
	Mr. Francisco Góngora Cañizares	19	17
	Mr. Antonio Luque Luque	40	35
	Mr. Francisco Lorente Brox	45	37
	Mr. Pascual Ricardo Candel Martinez	48	6
	Mr. Juan Carlos Rico Mateo	11	7
	Mr. Luis Robledo Grau	36	6
	Mrs. Maria Luisa Trinidad Garcia	17	5
	Mrs. Maria Gador Villalobos Mejía	20	15
	Mr. Jeronimo Molina Herrera	66	11
	Mr. Francisco Martinez-Cosentino Justo	17	4
	Mr. Carlos Pedro De La Higuera Pérez	35	17
	Mr. Francisco Javier Ramirez Arceo	18	13
**	Mr. Gregorio Sanchez Prieto	9	-
*	Mr. Rodrigo Muñoz Rodríguez	4	10
*	Mr. Luis de la Maza Garrido	-	26
*	Mr. Antonio Pérez Lao	-	29
*	Mr. Angel Lirola Suarez	-	29
*	Mr. Jose Antonio Santorromán Lacambra	-	13
*	Mr. Jose Manuel Moreno Ferreiro	-	14
*	Mr. Francisco Belmonte López	-	12
*	Mr. Agustín Miguel Sánchez Martínez	-	12
*	Mr. Ramón Aliaga Carrión	-	12
*	Mr. Antonio Pita Reyes	-	30
	Total	**448**	**396**

* Dessist as members of the Cajamar Board and do not join the new Cajas Rurales Unidas Board
** Join as members of the new Cajas Rurales Unidas Board

Compensation for Executives in 2013 and 2012 is set out in the following table on an aggregate basis and these reports include compensation for four Executive Directors and three General Managers.

	Nº of people		Thousands of euros: Fixed remuneration		Other remuneration		Social Security expenses		Post-employment benefits	
Directors	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Directors	6	2	1,154	507	107	15	68	21	1,381	249
Members of the Governing Board	5	5	1,107	899	209	121	57	19	-	12
Total	**11**	**7**	**2,261**	**1,406**	**316**	**136**	**125**	**40**	**1,381**	**261**

At 31 December 2013 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 4 thousand Euros and the payments made in 2012 totalling €261 thousand are presented in the same manner.

24. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2013 and 2012, respectively, is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2013	2012 (*)	2013	2012 (*)
Current Taxes:	**28,396**	**28,057**	**17,556**	**25,081**
Timing differences:	**895,579**	**909,767**	**99,154**	**117,202**
Goodwill on asset acquisition	866	901	-	-
Impairment losses on available-for-sale financial assets	127,321	30,495	-	-
Pension funds and other insurance	6,127	6,134	-	-
Unpaid fees and commissions (BoS, 4/2004)	1,348	1,736	-	-
Early retirement and termination fund	4,595	55,844	-	-
Loan impairment losses	386,597	225,108	-	-
Funds and provisions made	18,180	6,693	-	-
Surplus depreciation charge (Law 16/2012)	6,067	-		
Credit investment at fair value	52,422	76,604	-	-
Under-valuation of available-for-sale financial assets	2,442	5,956	-	-
Fair value of non-current assets held for sale	122	82	-	-
Business combination CRD	1,064	1,049	-	-
Other	905	2,869	-	-
Credit for losses to be offset from the year	268,961	495,210	-	-
Entitlements to deductions and allowances pending application	18,562	1,086	-	-
Revaluation of property	-	-	50,309	51,948
Revaluation of available-for-sale financial assets	-	-	4,466	2,191
Other revaluation reserves	-	-	328	323
Other business combinations. Fair value loans and receivables and others	-	-	44,051	62,638
Special depreciation and others	-	-	-	102
Total	**923,975**	**937,824**	**116,710**	**142,283**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

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 2013 and 2012 is as follows:

	Thousands of euros			
	Assets		**Liabilities**	
	2013	**2012 (*)**	**2013**	**2012 (*)**
Balance at the beginning of the year	**909,767**	**166,590**	**117,202**	**48,360**
Grupo Cajas Rurales del Mediterraneo Incorporation	-	**84,244**	**-**	**13,041**
Caja Rural del Mediterraneo Incorporation	-	**246,229**	**-**	**13,188**
Adjustments from previous years	(8,200)	**(12,376)**	**-**	**(9,719)**
Income Tax of the year				
Impairment losses on available-for-sale financial assets	91,475	7,506	-	-
Goodwill	(12)	(58)	-	-
Pension funds and other insurance	47	61	-	-
Loans and receivables impairment losses	(58,667)	58,469	-	-
Credit investment and other at fair value	-	-	-	-
Unpaid fees and commissions (BoS, 4/2001)	(490)	(288)	-	-
Funds and provisions made	(21,860)	5,197	-	-
Early retirement and termination fund	(414)	22,430	-	-
Surplus depreciation charge (Law 16/2012)	6,079	-	-	-
Business Combination. Ruralcaja	(6,483)	-	-	-
Other	32	(647)	-	-
Credit for losses to be offset from the year	(9,532)	278,757	-	-
Entitlements to deductions and allowances	84	(13,751)	-	-
Revaluation of property	-	-	-	(984)
Special depreciation and others	-	-	-	(3,929)
Transfers and other				
Revaluation of available-for-sale financial assets	(6,258)	1,967	-	1,893
Business Combinations	-	58,409	-	55,292
Other	11	7,028	-	60
Year end balance	**895,579**	**909,767**	**117,202**	**117,202**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo –Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

There are no tax assets relating to positive temporary differences, tax-loss carry forwards or unrecorded tax credits for deductions at 31 December 2013 and 2012.

The reconciliation between the year's income and the taxable income corresponding to the years 2013 and 2012 is as follows:

	Thousands of euros	
	2013	**2012**
Accounting Result before taxes	**68,937**	**(1,277,795)**
Cancellation of consolidation adjustments	-	(52,106)
Adjusted Accounting Result before consolidation	**68,937**	**(1,329,901)**
Permanent differences:	**(79,485)**	**(81,615)**
Allocation to welfare funds	(486)	(4,041)
Mandatory Reserve Fund	(1,068)	(13,344)
Equity contributed capital	(76,252)	(62,484)
Other	(1,679)	(1,746)
Offsetting negative tax bases from previous periods	**-**	**-**
Adjusted Accounting Result	**(10,548)**	**(1,411,516)**
Temporary differences:	**40,746**	**384,912**
Impairment in available-for-sale financial assets	304,918	25,020
Goodwill	(46)	(230)
Pension Fund and other insurances	181	229
Impairment in loans and receivables	(245,872)	231,824
Non- accrued commission CBE 4/2001	(1,917)	(1,125)
Constituted funds and provisions	(77,776)	20,518
Early retirement fund	(7,843)	88,455
Surplus depreciation charge (Law 16/2012)	23,173	-
Revaluation in non-current assets held for sale	-	-
Other	-	(668)
Property revaluation	2,431	3,881
Depreciation tangible assets	43,381	-
Depreciation and especial amortisation and other	116	17,008
Taxable income/loss	**30,198**	**(1,026,604)**
Tax Liability (30%-25%)	10,309	26,420
Tax deductions and credits	(10,309)	(9,681)
Tax credits and tax relief	-	(16,663)
Withholdings and payments on account	(9,444)	(613)
Other	-	-
Tax Payable/ (Accrual)	**(9,444)**	**(537)**

The breakdown of corporate tax included in the consolidated income statement at 31 December 2013 and 2012 is as follows:

	Thousands of euros	
	2013	**2012**
Tax Liability (30%-25%)	(12,158)	(357,704)
Tax deductions and credits	(17)	(2,926)
Adjustment Income Tax previous years	(2,254)	17,302
Current Income tax	**(14,429)**	**(343,328)**

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 2013 and 2012 the Group charged the following amounts against its consolidated equity (deferred taxes), as follows:

	Thousand of Euros	
	2013	2012
Revaluation of Tangible Assets	50,309	51,948
Revaluation of Intangible Assets	43,946	-
Variable Income Securites at Fair Value (Note 7.4.d.)	3,051	(5,956)
Fixed Income Securites at Fair Value (Nota 7.4.d.)	418	2,191
Fair value of credit investments and non-current assets for sale	(53,762)	(18,195)

Movements in corporate income tax expenses and revenues reflected in the statement of recognised revenues and expenses totalling 7,299 thousand Euros at 31 December 2013 (564 thousand euros at 31 December 2012), relate exclusively to the heading Available-for-sale financial assets.

Royal Decree-Law 14/2013, of 29 November, took effect on 30 November 2013, amending the consolidated text of the Corporate Income Tax Act, stipulating that for tax years beginning from 1 January 2011, charges for the impairment of loans and other assets deriving from the potential insolvency of debtors other than the taxpayer and provisions or contributions to pension and, as warranted, early retirement, schemes, which had generated deferred tax assets, will be added to taxable income in keeping with the provisions of the said Act up to the limit of taxable income before their inclusion and before the utilisation of tax losses. Effectiveness of this amendment affects the Entity to the extent that during the years to which it applies it did not have sufficient taxable income to utilise its recognised deferred tax assets. The Group estimates that the amount of tax payments due to unused tax losses generated between 2011 and 2012, deriving from the reversal during 2011 and 2012 of impairment charges on non-performing loans, foreclosed assets and contributions to pension and, as warranted, early retirement schemes, which are reclassified to deferred tax assets due to temporary differences, could total €138,873 thousand.

The aforementioned Royal Decree further establishes that deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors other than the taxpayer and provisions or contributions to pension and, as warranted, early retirement, schemes, shall be converted to a credit enforceable (and monetisable) vis-à-vis the tax authorities in the event that the taxpayer presents an accounting loss or the entity declares (in a court of law) liquidation or bankruptcy proceedings. The Group estimates that the amount of monetisable tax assets at 31 December 2013 stands at €449,871 thousand.

A breakdown of tax-loss carryforwards, deductions and allowances available for offset in future years at 31 December 2013 and 2012 is as follows:

			Thousands of euros	
Generating Year	Concept	Last Compensation Year	2013	2012
2013	Credits from negative tax basis	2028	3,968	-
2013	Tax deductions and credits rights	2023	84	-
2012	Credits from negative tax basis	2027	205,397	354,171
2012	Tax deductions and credits rights	2022	3,513	451
2011	Credits from negative tax basis	2026	1,752	76,008
2011	Credits from negative tax basis non financial entities	2029	118	15
2011	Tax deductions and credits rights	2021	4,170	186
2010	Credits from negative tax basis	2025	57,672	63,425
2010	Tax deductions and credits rights	2020	5,162	341
2009	Credits from negative tax basis	2024	95	1,531
2009	Tax deductions and credits rights	2019	2,287	108
2008	Tax deductions and credits rights	2018	3,252	-
2007	Tax deductions and credits rights	2017	3	-
2004	Credits from negative tax basis non financial entities	2022	50	60
			287,523	**496,236**

In 2013, Caja Rural de Casinos, Sociedad Cooperativa de Crédito merged into Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. For tax purposes the merger availed for the neutrality tax regime for mergers, spin-offs, asset contributions and security swaps provided for in Chapter VIII of Title VII of Royal Decree-Law 4/2004, enacting the consolidated text of the Corporate Income Tax Act.

As part of the business combination, the assets, liabilities and contingent liabilities of Caja Rural de Casinos, Sociedad Cooperativa de Crédito were included in the financial statements of Cajas Rurales Unidas at their carrying amounts as per the transferor's financial statements.

As well in 2013, Caja Rural de Canarias, Sociedad Cooperativa de Crédito merged into Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. For tax purposes the merger availed for the neutrality tax regime for mergers, spin-offs, asset contributions and security swaps provided for in Chapter VIII of Title VII of Royal Decree-Law 4/2004, enacting the consolidated text of the Corporate Income Tax Act.

As part of the business combination, the assets, liabilities and contingent liabilities of Caja Rural de Canarias, Sociedad Cooperativa de Crédito were included in the financial statements of Cajas Rurales Unidas at their carrying amounts as per the transferor's financial statements.

Moreover in 2013, Credit Valencia Caja Rural, Sociedad Cooperativa de Crédito merged into Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. For tax purposes the merger availed for the neutrality tax regime for mergers, spin-offs, asset contributions and security swaps provided for in Chapter VIII of Title VII of Royal Decree-Law 4/2004, enacting the consolidated text of the Corporate Income Tax Act.

As part of the business combination, the assets, liabilities and contingent liabilities of Credit Valencia Caja Rural, Sociedad Cooperativa de Crédito were included in the financial statements of Cajas Rurales Unidas at their carrying amounts as per the transferor's financial statements.

There are no tax benefits applied by the aforementioned entities, with respect to which Cajas Rurales Unidas should assume the obligation to fulfil applicable requirements in accordance with 90.1 and 2 of Legislative Royal Decree 4/204, approving the Corporate Income Tax Law.

During 2012 the merger by absorption of Cajamar, Caja Rural Sociedad Cooperativa de Crédito and Caja Rural de Castellón San Isidro, Sociedad Cooperativa de Crédito took place. That merger was covered by the special regime for mergers, splits, asset contributions and share exchanges governed in Chapter VII of Title VII of Legislative Royal Decree 4/2004 approving the Corporate Income Tax Act.

As part of the business combination, the assets, liabilities and contingent liabilities of Caja Rural de Castellón San Isidro, Sociedad Cooperativa de Crédito Valenciana were included in the financial statements of Cajamar at their carrying amounts as per the transferor's financial statements.

Caja Rural de Castellón San Isidro, Sociedad Cooperativa de Crédito Valenciana did not avail of any tax benefits that require Cajamar to comply with specific requirements in keeping with the provisions of sections 1 and 2 of article 90 of Royal Decree-Law 4/2004, enacting the consolidated text of the Corporate Income Tax Act.

Likewise, in 2012, Cajamar, Caja Rural Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito merged. As a result of this merger, the two entities were dissolved and a new Entity, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, was incorporated. For tax purposes this merger similarly availed for the neutrality tax regime for mergers, spin-offs, asset contributions and security swaps provided for in Chapter VIII of Title VII of Royal Decree-Law 4/2004, enacting the consolidated text of the Corporate Income Tax Act

As part of the business combination, the assets, liabilities and contingent liabilities of Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito were included in the financial statements of Cajas Rurales Unidas at their carrying amounts as per the transferor's financial statements.

The Group has its books open to inspection for all the years required for the various applicable taxes under prevailing tax legislation.

Due to the different interpretations that may be afforded to the tax rules applicable to the Group's operations, there could be certain contingent tax liabilities which cannot yet be quantified subjectively. However, in the opinion of the parent entity's Governing Board and its tax advisors, the possibility of such contingent liabilities materialising is remote and in any event, the tax debt which may derive from the same would not have a significant effect on the accompanying consolidated annual accounts

Balance sheet restatement

With respect to Law 16/2012, through which sundry tax measures are adopted aimed at the consolidation of public finance and driving economic activity, Article 9 of Chapter III relating to the balance sheet restatement lays down that corporate income taxpayers, personal income taxpayers carrying out economic activities that keep their accounting records in accordance with the Code of Commerce or are required to keep a record of their economic activities and non-resident income taxpayers with a permanent establishment may voluntarily avail themselves of the restatement governed therein.

This Law also establishes that generally tangible fixed asset and investment property located in Spain and abroad may be restated.

In 2013 the Group is carrying out the assessment of Law 16/2012 and its potential accounting and tax implications and impacts. At the date of these annual accounts, the Group does not yet have sufficient information to conclude whether it will opt to apply the relevant asset restatement.

25. Breakdown of the consolidated income statement

The most significant headings in the accompanying consolidated income statement at 31 December 2013 and 31 December 2012 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	
Interest and similar income	**2013**	**2012 (*)**
Deposits with central banks	1,289	1,668
Loans and advances to credit institutions	6,527	4,865
Money market operations through counterparties	1,625	771
Loans and advances to other debtors	969,552	985,231
Debt securities (Notes 7.4.a and 7.6)	189,282	134,415
Non-performing assets	7,690	6,541
Income adjustments due to hedging operations	-	-
Income from insurance contracts linked to pensions and similar obligations	-	31
Other interest:		
Income from Pension Plan assets (Note 16)	1,793	2,111
Other:	1,971	2,704
Total	**1,179,728**	**1,138,337**
Interest expenses and similar charges		
Deposits from central banks	(28,564)	(42,588)
Deposits from credit institutions	(51,674)	(42,222)
Money market operations through counterparties	(7,696)	(6,977)
Deposits from other creditors	(465,802)	(439,092)
Debt certificates including bonds	(52,165)	(70,602)
Subordinated liabilities (Note 7.7.e)	(7,039)	(2,288)
Expense adjustments due to hedging operations	61,797	38,181
Pension fund interest costs (Note 16)	(2,251)	(2,627)
Other interest	(639)	(2,414)
Total	**(554,033)**	**(570,629)**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo – Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

- **Return on equity instruments**

  The details of this caption on the consolidated income statements for 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Investments in associates (Note 11)	-	-
Other equity instruments (Note 7.4.b.)	2,503	2,157
Total	**2,503**	**2,157**

- **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 2013 and 2012 is as follows:

	Thousands of euros	
	2013	**2012**
Apartamentos Media Luna S.L.	327	435
Cajamar Vida, S.A. de Seguros y Reaseguros	10.597	8.866
Agrocolor S.L.	17	56
Balsa Insa S.L.	(1.901)	-
Rest of Associates	346	244
Total	**9.386**	**9.601**

- 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 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Fee and commission income		
From contingent exposure	9.089	9.013
From contingent commitments	11.177	6.172
From exchanges of currency and notes from foreign banks	1.045	1.015
From collection and payment services	207.113	118.522
From securities services	2.773	3.395
From the marketing of non-bank financial products	28.696	20.728
Other commissions	35.585	24.492
Total	**295.478**	**183.337**
Fee and commission expense		
Brokerage fees in asset and liability operations	-	-
Commissions ceded to other entities and agents	(25.326)	(17.277)
Commissions paid for securities operations	(12)	(12.311)
Other commissions	(252)	(608)
Total	**(25.590)**	**(30.196)**

- **Results from financial operations**

The details of this caption on the consolidated income statements for 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Portfolio	9,859	(12,914)
Other instruments at fair value with changes on profit and loss	15,915	(96)
Financial assets on sale	164,375	61,058
Credit investments	19,387	(262)
Investments to maturity	(11)	58
Financial liabilities at amortized cost	18,706	30,695
Accounting hedging not included in interests:		
Hedging derivatives	(67,393)	35,299
Covered balances	67,280	(35,258)
Other:		
Securiticised commissions written-off (Note 7.5.b.4)	6,080	7,313
Other	626	338
Total	**234,823**	**86,231**

- **Other operating revenues**

The details of this caption on the consolidated income statements for 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Income from investment properties (Note 12)	3,547	5,855
Income from tangible assets leased out under an operating lease	-	-
Sales and other income from the provision of non-financial services	16,843	34,662
Rest of operating income:		
Financial commissions to offset direct costs	8,557	5,738
Expenses included in assets	-	-
Compensation from insurance companies	47	34
Other recurring income	7,176	4,127
Other non-recurring income	2,225	389
Total	**38,395**	**50,805**

- **Other operating expenses**

The details of this caption on the consolidated income statements for 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Variation in inventories	9,142	(39,902)
Expenses from investment properties (Note 12)	-	(283)
Contribution to deposit guaranteed funds (Note 3.17)	(58,545)	(44,601)
Other operating expenses	(25,546)	(24,386)
Total	**(74,949)**	**(109,172)**

- **Personnel expenses**

The details of this caption on the consolidated income statements for 2013 and 2012 are as follows:

	Thousands of euros	
	2013	**2012**
Salaries and bonuses paid to active personnel	(262,603)	(205,449)
Social Security contributions	(73,001)	(55,480)
Contributions to define benefit plans (Note 16)	(1,726)	(2,094)
Contributions to define contribution plans (Note 16)	(346)	(7,733)
Compensation for termination of employment	(3,054)	(794)
Training expenses	(220)	(197)
Other personnel expenses	(3,971)	(5,161)
Total	**(344,921)**	**(276,908)**

The average number of employees at the individual level of the Lead Entity and the consolidated figure for the Cooperative Group, broken down by gender in accordance with Organic Law 3/2007 (22 March), is as follows:

	Individual		**Consolidated**	
	2013	**2012**	**2013**	**2012**
Average headcount				
Men	3,557	3,761	4,244	4,708
Women	2,949	2,794	3,493	3,544
Total	**6,506**	**6,555**	**7,737**	**8,252**

The average number of employees at Grupo Cooperativo Cajas Rurales Unidas, broken down by professional category, is as follows:

	2013		**2012**	
	Men	**Women**	**Men**	**Women**
Directors	28	4	65	12
Administrators and qualified managers	2.269	808	2.384	752
Administrative officers	1.307	1.588	1.549	1.549
Administrative assistants	588	1.056	650	1.184
Various	52	37	60	47
Total	**4.244**	**3.493**	**4.708**	**3.544**

The average number of employees in 2013 at the Cooperative Group that have a disability equal or exceeding 33% (or equivalent classification) is 143.

Benefits-in-kind granted to the Lead Entity's employees in 2013 and 2012 totalled €1,469 thousand and €2,836 thousand, 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	
	2013	**2012**
Property, fixture and tangible objects	(42,013)	(35,216)
IT	(15,393)	(13,173)
Communications	(14,465)	(11,143)
Advertising and publicity	(5,186)	(5,661)
Legal and lawyer expenses	(1,674)	(1,545)
Technical reports	(2,813)	(2,075)
Monitoring and fund transfer services	(6,924)	(5,039)
Insurance premiums and self-insurance	(1,966)	(1,110)
Governing and controlling bodies	(2,028)	(1,558)
Personnel representation and travelling expenses	(3,849)	(3,167)
Membership fees	(581)	(384)
Head office expenses charged to foreign branches	-	-
Outsourced administrative services	(9,922)	(2,525)
Contributions and taxes:		
For property	(4,109)	(2,333)
Other	(1,872)	(1,134)
Other expenses	(23,518)	(14,507)
Total	**(136,313)**	**(100,571)**

- **Allocations to provisions (net)**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2013	**2012**
Provisioning expenses (net)		
Provisions to pension funds and similar obligations (Note 16)	(1,467)	(1,836)
Provisions for taxes	1,536	-
Provisions for contingent exposures and commitments (Note 16)	(3,669)	(5,850)
Other provisions (Note 16)	(88,839)	(69,694)
Total	**(92,439)**	**(77,380)**

- **Impairment losses on financial and other assets (net)**

Details of this caption on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2013	**2012 (*)**
Financial Assets		
Loans and receivables (Note 7.5.c)	(258,599)	(1,160,246)
Financial instruments not measured at fair value through profit or loss (available-for-sale financial assets) (Notes 7.4.c and 7.6)	(10,821)	(19,434)
Total	**(269,420)**	**(1,179,680)**
Other assets		
Goodwill and other intangible assets	(496)	(13,959)
Other assets:		
Tangible assets (Notes 12 and 15)	(4,384)	(14,957)
Rest of assets (Notes 3.24 and 14)	(96,479)	(279,557)
Total	**(101,359)**	**(308,473)**

(*) The balances corresponding to 2012 have been restated with respect to those provided in the 2012 Annual Accounts in order to reflect the definitive measurement of the business combination consisting of the merger of Caja Rural del Mediterráneo – Ruralcaja, Sociedad Cooperativa de Crédito and Cajamar Caja Rural, Sociedad Cooperativa de Crédito, giving rise to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (Notes 1.5 and 4).

- **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	
	2013	**2012**
Gains on sales		
Tangible assets (Note 12)	535	3,051
Investment properties (Note 12)	38	28
Assets awarded in foreclosure	2,847	2,128
Investments	11,007	-
Other profits	6,771	249
Total	**21,198**	**5,456**
Losses in sales		
Tangible assets (Note 12)	(5,220)	(12,086)
Investment properties	(49)	(331)
Assets awarded in foreclosure (Note 14)	(934)	(1,845)
Investments	(35)	-
Other losses	(9,514)	(1,176)
Total	**(15,752)**	**(15,438)**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	**5,446**	**(9,982)**

- **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	
	2013	**2012**
Gains on sale		
Tangible assets (Note 12)	60	31
Assets awarded in foreclosure	7,493	1,344
Total	**7,553**	**1,375**
Losses on sales		
Tangible assets	(385)	(252)
Investment properties	(8)	-
Assets awarded in foreclosure (Note 14)	(24,327)	(43,864)
Other losses	(873)	-
Total	**(25,593)**	**(44,116)**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(18,040)**	**(42,741)**

- **Result attributed to minority shareholders**

Details of these captions on the accompanying consolidated income statements are as follows:

	Thousands of euros	
	2013	**2012**
Parque Industrial Acceso Sur S.L.	127	(91)
Total	**127**	**(91)**

26. Segment reporting

- **Segmenting by lines of business**

Grupo Cooperativo Cajas Rurales Unidas' 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 the Cooperative Group 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 Cajas Rurales Unidas' 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 2013	**Client Resources**	**Commissions**
Intermediary Service (services managed by the Group)		
Investment Funds	449,304	2,261
Pension Funds and insurances	980,211	26,435
Total	**1,429,515**	**28,696**
Securities from third parties		
Subordinated liabilities	-	-
Equity instruments and Debt securities	1,489,117	2,773
Total	**1,489,117**	**2,773**

	Thousands of euros	
Year 2012	**Client Resources**	**Commissions**
Intermediary Service (services managed by the Group)		
Investment Funds	627,454	1,593
Pension Funds and insurances	695,102	19,135
Total	**1,322,556**	**20,728**
Securities from third parties		
Subordinated liabilities	-	-
Equity instruments and Debt securities	1,785,344	3,395
Total	**1,785,344**	**3,395**

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 Cooperative Group are immediately available.

The details of the "Lines drawable by third parties" (Note 6.2.d) and "Other contingent commitments" for 2013 and 2012 grouped by counterparty and indicating the limit and amount pending liquidity are as follows:

	Thousand of Euros			
	2013		2012	
	Limit	Available	Limit	Available
Available for third parties				
Credit institutions	-	-	-	-
Spanish Public Administrations	948,421	155,940	1,201,137	117,271
Other resident sectors	34,506,138	1,447,185	34,476,197	1,507,363
Non-resident public administration	209,958	3,473	207,886	3,352
Total	**35,664,517**	**1,606,598**	**35,885,220**	**1,627,986**
Commitments of hire-purchase of financial assets	**-**	**-**	-	**-**
Suscribed securities with pending payment	**-**	**3,514**	**-**	**3,848**
Other contingent commitments	**-**	**91,940**	**-**	**426,165**
Total contingent commitments	**35,664,517**	**1,702,051**	**35,885,220**	**2,057,999**

The average interest rate offered for these commitments is 4.9% in 2013 (5.3% in 2012).

External audit

The fees paid for the audit of the accounts and other services related to the Group, in 2013 and 2012, are as follows:

Year 2013

	Thousands of euros			
Entity	**Annual Accounts audit**	**Other services related to audit**	**Other services**	**Total**
Pricewaterhousecoopers Auditores, S.L.	720	408	948	2,076

Year 2012

	Thousands of euros			
Entity	**Annual Accounts audit**	**Other services related to audit**	**Other services**	**Total**
Pricewaterhousecoopers Auditores, S.L.	747	-	312	1,059

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 €41 thousand in 2013 (€13 thousand in 2012).

Customer Service

This section fulfils Article 17.2 of Order ECO/734/2004, on customer service departments and the customer ombudsman of financial institutions under which a summary of the annual report explaining the development of its functions by the Customer Service Department should be included in the annual report.

In compliance with 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.

Adherent to the Service are all of the forming entities in Grupo Cooperativo Cajas Rurales Unidas listed in Annex II to the Regulation of the Group´s Client Defense, which rules the performance of the Service and that was approved by the Governing Bodies of the parent entity by the agreement of November 12, 2012. This forming entities were all the ones that integrated the Group as at December 31, 2013.

Noteworthy is the number of proceedings initiated in 2013 amounting to 8,397, including 600 files with the Bank of Spain Claims Department and 13 with the Investor Services Office of the National Securities Market Commission. No complaints or claims have been filed with the Directorate General for Insurance and Pension Plans.

The distribution of proceedings initiated in respect of claims against entities was as follows: (i) Cajas Rurales Unidas, 97.3%; (ii) Caixa Rural Torrent, 1.3%; (iii) none against Caixa Rural Xilxes; and (iv) 1.4% against the other 16 entities.

Continuing with that summary, noteworthy is the way in which such files were settled during the year: (i) 47% was in favour of the claimant compared with 49% in the previous year; (ii) 46% of issues analysed were settled in favour of the entity, representing a decrease of 3% compared with 2012; (iii) the Department issued no decision on the claims filed in 6.5% of cases compared with 1.5% in 2012; and (iv) 0.5% of customers dropped their claims in 2013, the same as in the previous year.

Similarly noteworthy, following the classification laid down by the Bank of Spain in this respect, based on content matter: 54% of files settled related to deposit transactions, 30% to loans and advances, 4% to various products, 4% to other bank products, 3% to collection and payment services, 4% to insurance and pension funds and lastly 1% to investment services.

Finally, taking into account the reasons for claims also classified by the Bank of Spain, 31% of files settled by the Department affected fees and expenses, 4% the ex post service, 50% interest, 8% discrepancies in entries, 1% disagreement with the service ex ante, another 2% sundry matters, 3% other contractual clauses and lastly, 1% to data protection.

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.

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 Cooperative 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 2013 are €363,244 thousand (€412,931 thousand in 2012), all of which been made within the legal and contractual deadlines.

The balance pending payment at 31 December 2013 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 2013 and 31 December 2012, rise up to €2,000,000 thousand and €2,250,000 thousand respectively (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 2013 and 31 December 2012 is as follows:

	Thousand of Euros	
	Nominal Value	
	2013	**2012**
1. Total loans	**27,299,744**	**27,415,066**
2. Collateralised mortgage bonds issued	**1,673,592**	**1,625,128**
Of which : Loans maintained in the balance	1,387,332	1,288,476
3. Mortgage transfer notes issued	**4,893,623**	**5,375,649**
Of which : Loans maintained in the balance	4,824,246	5,296,092
4. Loan securities plegded as security of funding recieved	**-**	**-**
5. Hipotecary loans that support the emission of mortgage loans (1 - 2 - 3 - 4)	**20,732,529**	**20,414,289**
Non eligible loans	8,243,896	7,440,100
They fulfil the requirementes to be eligible except the limit in article 5.1 of the RD 716/2009	3,080,734	2,749,270
Rest	5,163,162	4,690,830
Eligible loans	12,488,633	12,974,189
Non computable amounts	674,020	702,188
Computable amounts	11,814,612	12,272,001
Loans that cover motgage bond issues	-	-
Suitable loans for the hedging of securities issued	11,814,612	12,272,001

The information regarding the loans that support the mortgage bonds and securities issue, distinguishing those eligible for the years ending 31 December 2013 and 31 December 2012:

	Thousand of Euros			
	2013		2012	
	Pending principal	Eligible Operations	Pending principal	Eligible Operations
Origin of the operation	**20,732,529**	**12,488,633**	**20,414,289**	**12,974,189**
Originated by the Entity	18,578,225	10,782,850	18,252,091	11,258,549
Sobrogated from another operation	2,075,674	1,663,715	2,083,345	1,673,592
Rest of adquisitions	78,630	42,067	78,853	42,048
Denomination currency	**20,732,529**	**12,488,633**	**20,414,289**	**12,974,189**
Euro	20,732,529	12,488,633	20,414,289	12,974,189
Rest of currency	-	-	-	-
Payment situation	**20,732,529**	**12,488,633**	**20,414,289**	**12,974,189**
With up to date payments	13,839,270	9,759,168	13,946,110	9,899,697
Resto of situations	6,893,259	2,729,465	6,468,179	3,074,492
Average residual term	**20,732,529**	**12,488,633**	**20,414,289**	**12,974,189**
Up to 10 years	3,683,602	1,953,308	3,448,199	1,970,850
From 10 to 20 years	6,918,745	4,111,204	6,815,152	4,105,782
From 20 to 30 years	7,397,064	4,617,777	7,372,439	4,945,877
More than 30 years	2,733,118	1,806,342	2,778,499	1,951,680
Interest Rate	**20,732,529**	**12,488,633**	**20,414,289**	**12,974,189**
Fixed	766,532	430,392	830,926	528,361
Variable	18,496,248	11,450,350	18,790,442	12,051,590
Mixed	1,469,749	607,891	792,921	394,238
Purpose of the operation	**20,732,529**	**12,488,633**	**20,414,289**	**12,974,189**
Legal and natural persons using them for their business activity	9,088,269	3,874,084	9,205,741	4,450,851
of whom: with a property investment object	*3,925,036*	*1,478,562*	*4,096,394*	*1,922,966*
Homes	11,644,260	8,614,549	11,208,548	8,523,338
Guarantee type	**20,732,529**	**12,488,633**	**20,414,289**	**12,974,189**
Assets - finished buildings	**16,953,156**	**11,010,482**	**16,357,861**	**11,168,121**
Residential use	15,116,992	10,210,219	14,683,630	10,391,507
Of which: Social housing	*734,873*	*476,318*	*652,713*	*438,387*
Comertial use	164,608	54,939	160,322	55,406
Other assets	1,671,556	745,323	1,513,909	721,208
Assets - buildings in construction	**992,770**	**404,594**	**1,088,373**	**500,903**
Residential use	510,812	215,440	612,475	300,357
Of which: Social housing	*9,090*	*8,254*	*23,554*	*16,683*
Comertial use	82,368	22,985	96,804	18,652
Other assets	399,590	166,170	379,094	181,894
Land	**2,786,603**	**1,073,556**	**2,968,055**	**1,305,165**
Urbanized	1,294,495	325,471	1,298,856	394,178
Other assets	1,492,108	748,085	1,669,199	910,987

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 2013 and 31 December 2012 is as follows:

	Thousand of Euros	
	2013	2012
Potentially eligible	58,191	119,350
Not potentially eligible	71,289	117,776

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 four of the RD, amounts 3,080,734 thousand Euros at 31 December 2013 (2,749,270 thousand Euros at 31 December 2012).

The following table shows, for the years ended at 31 December 2013 and 31 December 2012, 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).

	Thousand of Euros					
	2013					
	LTV >= 40%	40%< LTV <= 60%	LTV >= 60%	60%< LTV <= 80%	LTV > 80%	Total
Upon housing	1,674,513	2,929,419	-	4,343,262	-	8,947,194
Upon rest of assets	1,661,750	1,879,688	-	-	-	3,541,438

	Thousand of Euros					
	2012					
	LTV >= 40%	40%< LTV <= 60%	LTV >= 60%	60%< LTV <= 80%	LTV > 80%	Total
Upon housing	1,537,941	2,829,070	-	4,838,999	-	9,206,010
Upon rest of assets	1,695,580	2,072,596	-	-	-	3,768,176

The movements in the mortgage portfolio supporting the issue of mortgage bonds and securities, distinguishing between eligible and ineligible is as follows:

	Thousand of Euros			
	Eligible Loans	Non Eligible Loans	Eligible Loans	Non Eligible Loans
	2013		2012	
Starting balance	**12.974.189**	**7.440.100**	**9.771.951**	**5.343.301**
Merger of Ruralcaja	**-**	**-**	**2.666.520**	**1.499.233**
Merger with other Group Entities	**-**	**-**	**920.548**	**514.738**
Eliminations:	**2.236.295**	**1.423.997**	**1.999.002**	**1.922.363**
Maturity date	904.970	360.419	692.369	268.979
Early cancellation	289.005	160.937	144.120	98.484
Subrogation by another Entity	-	-	528	-
Other	1.042.320	902.641	1.161.985	1.554.900
Additions:	**1.750.739**	**2.227.793**	**1.614.172**	**2.005.191**
Originated by the Entity	245.382	898.709	210.801	719.473
Subrogation by another Entity	26.837	55.280	50.636	61.538
Other	1.478.520	1.273.804	1.352.735	1.224.180
Closing balance	**12.488.633**	**8.243.896**	**12.974.189**	**7.440.100**

The qualitative and quantitative information at 31 December 2013 and 2012, regarding assets received as payment of debts regarding the destiny of the initial granted financing is as follows:

	Thousand of Euros			
	2013		**2012**	
	Net book value (*)	**Hedging**	**Net book value (*)**	**Hedging**
Real-estate assets coming from the credit aimed for construction companies and property development	**1,008,666**	**1,521,921**	**600,404**	**303,354**
Finished buildings	*517,077*	*145,398*	*306,672*	*63,916*
Homes	439,801	109,936	238,343	40,382
Rest of finished buildings	77,276	35,462	68,329	23,534
Buildings in construction	*105,745*	*1,064,708*	*65,597*	*13,059*
Homes	103,559	33,146	64,302	12,893
Rest of finished buildings	2,186	1,031,562	1,295	166
Land	*385,843*	*311,815*	*228,135*	*226,379*
Urbanized	252,894	226,939	221,771	222,722
Other assets	132,950	84,877	6,364	3,657
Property coming from homebuilding credits to homes for property adquisition	**223,924**	**33,359**	**126,212**	**34,556**
Rest of foreclosed assets	**193,842**	**50,140**	**44,913**	**11,133**
Capital instruments, investments and financing to non consolidated societies helding assets	**56,174**	**77,423**	**428,252**	**421,321**

(*) Amount registered in balance, after deduction of amounts constituted for its hedging

The Group 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 2013 and 31 December 2012 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 2013 and 31 December 2012 is as follows:

	Thousand of Euros		Years	
	Nominal value		**Average residual maturity date**	
	2013	**2012**	**2013**	**2012**
Emitted mortgage loans	**-**	**-**	**-**	**-**
Securities issued	**7,100,000**	**6,100,000**	**-**	
Of which: None registered in liabilities	3,101,500	3,101,500	-	-
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	**5,100,000**	**3,850,000**		
Residual maturity date up to a year	1,100,000	-	-	-
Residual maturity date more than one year and up to two years	-	1,100,000	1	1
Residual maturity date more than two years and up to three years	2,000,000	-	5	5
Residual maturity date more than three years and up to five years	1,500,000	2,250,000	6	6
Residual maturity date more than five years and up to ten years	500,000	500,000	10	10
Residual maturity date more than ten years	-	-	-	-
Deposits	**2,000,000**	**2,250,000**		
Residual maturity date up to a year	500,000	250,000	-	-
Residual maturity date more than one year and up to two years	700,000	500,000	-	-
Residual maturity date more than two years and up to three years	800,000	700,000	-	-
Residual maturity date more than three years and up to five years	-	800,000	-	-
Residual maturity date more than five years and up to ten years	-	-	-	-
Residual maturity date more than ten years	-	-	-	-
Collateralised mortgage bonds	**1,387,276**	**1,629,938**		
Issued through public offer	-	-	-	-
Rest of emissions	1,387,276	1,629,938	16	17
Mortgage transfer notes issued	**5,467,342**	**5,426,356**		
Issued through public offer	-	-	-	-
Rest of emissions	5,467,342	5,426,356	17	18

At 31 December 2013 and 31 December 2012 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 2013 and 31 December 2012 is as follows:

	Thousand of Euros					
	Gross amount		**Excess over guarantee value**		**Specific Hedging**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Resgistered credit by the credit Entities of the Group (businesses in Spain)	**4,228,710**	**4,467,903**	**1,651,522**	**-**	**1,592,317**	**1,592,317**
Of which: Doubtful	3,060,546	2,129,207	1,322,544	-	1,351,335	889,478
Of which: Sub-prime	537,930	1,084,256	198,243	-	72,738	172,015
Memorandum item:						
Total general hedging (total businesses)	26,581	65,971	-	-	-	-
Failed assets	163,701	218,750	-	-	-	-

Memorandum Item: Consolidated data

	Thousand of Euros	
	Net book value	
	2013	**2012**
Loans and advances to other debtors excluding Public Administrations	33,273,082	32,129,484
Total consolidated assets (total businesses)	42,104,468	41,700,864

The gross amount, without taking into consideration impairment adjustments, of the operations classified by its associated guarantee at 31 December 2013 and 31 December 2012 has the following breakdown:

	Thousand of Euros	
	2013	**2012**
Without mortgage security	**297,071**	**360,160**
With mortgage security	**3,931,639**	**4,107,743**
Finished buildings	*1,651,651*	*1,705,618*
Homes	1,423,614	1,489,381
Rest of finished buildings	228,037	216,237
Buildings in construction	*998,238*	*1,096,615*
Homes	510,812	612,475
Rest of finished buildings	487,426	484,141
Land	*1,281,750*	*1,305,510*
Urbanized	1,172,482	1,174,883
Other assets	109,268	130,627
Total	**4,228,710**	**4,467,903**

The detail of retail loans for the adquisition of housing at 31 December 2013 and 31 December 2012 is as follows:

	Thousand of Euros			
	2013		**2012**	
	Gross amount	**Of which: doubtful**	**Gross amount**	**Of which: doubtful**
Credit for acquisition of home	**15,429,443**	**966,853**	**15,671,324**	**797,348**
Without mortgage security	3,524	571	7,809	294
With mortgage security	15,425,919	966,282	15,663,515	797,054

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2013 and 31 December 2012 is as follows:

	Thousand of Euros					
	2013					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Credit for property acquisitions withmortgage guarantee	2,750,022	4,828,847	5,935,286	935,426	976,338	15,425,919
Of which: doubtful	47,081	141,866	389,663	192,262	195,410	966,282

	Thousand of Euros					
	2012					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Credit for property acquisitions withmortgage guarantee	2,557,648	4,649,953	6,588,340	990,735	876,839	15,663,515
Of which: doubtful	37,302	119,749	352,650	168,544	118,809	797,054

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.

At 31 Dicember 2013 has closed with a hedging level of the retail and medium and long term loan portfolio of 95.43% (compared to 88.91% for 2012), while financing needs are covered in an amount of 103.88% (96.02% for 2012) through stable financing sources.

In 2013, the Group placed a total of €1,250 million of mortgage-backed bonds on the market. Meanwhile, a guaranteed €500 million bond issue matured in 2013, €125 million of which had been bought back ahead of maturity. A multi-issuer €250 million mortgage-backed bond issue also matured in 2013, along with €14 million of promissory notes that had been placed on the wholesale market. As for asset securitisations, it is worth highlighting two issues backed by SME loans for a total raise of €855 million, €193.7 million of which was placed on the market with the remaining €441.7 million withheld to reinforce collateral for discounting with the European Central Bank. These issues are in addition to the periodic repayments made on the rest of the securitised bond issues (net issuance).

On the other hand the Group maintains liquid assets (eligible for financing operations with The Europan Central Bank) for €12,757 million of nominal value, as a colleteral financial instruments issuance capacity (securities issues and territorial bonds issues) which exceeds €2,376 million.

The breakdown of the information regarding the financial needs and strategies at 31 December 2013 and 31 December 2012 is as follows:

	Thousand of Euros			Thousand of Euros	
	2013	2012		2013	2012
Stable funding necesities			**Stable fund sources**		
Loans and advances to other debtors	26,442,666	27,974,678	Clients covered at 100% by the G.F.D.	15,646,859	15,679,407
Credit to Entities of the Group andrelated	140,855	193,929	Clients not covered at 100% by theG.F.D.	9,036,949	9,100,365
Securitised assets	6,904,775	7,166,485			
Specific funds	(2,744,718)	(2,483,463)			
Foreclosed assets	1,318,265	1,257,479			
Total loans and advances to other debtors	**32,061,843**	**34,109,108**	**Total loans to retail clients**	**24,683,808**	**24,779,772**
Investments	**57,427**	**67,906**			
			Bond and securities issued	3,998,500	2,998,500
			Regional bonds	-	-
			Senior Debt	-	-
			Issues endorsed by the State	-	375,000
			Subordinated, preferenced andconvertibles	138,300	138,300
			Other financial instruments at mediumand long term	-	22,500
			Securisations sold to third parties	1,773,571	1,994,841
			Other funding with maturity date overa year	3,404	3,890
			Commercial paper	-	14,447
			Long term wholesale funding	**5,913,775**	**5,547,478**
			Equity	**2,767,786**	**2,492,378**
Total fund necesities	**32,119,270**	**34,177,014**	**Total stable fund sources**	**33,365,369**	**32,819,628**

The maturity detail of the wholesale debt at 31 December 2013 is as follows:

	Thousand of Euros			
	2014	**2015**	**2016**	**>2016**
Issue:				
Bonds and mortgage bonds	-	-	-	-
Mortgage Bonds	1,248,500	700,000	1,300,000	750,000
Territorial bonds	-	-	-	-
Senior debt	-	-	-	-
Issues guaranteed by the State	-	-	-	-
Subordinated, prefent and convertible securities	-	138,300	-	-
Securizations sold to third parties	-	-	-	-
Other financial instruments at medium and long term	486	486	486	1,945
Other more than one year financing	240,851	210,869	178,093	1,143,758
Commercial paper	-	-		-
Total maturity of corporate issues	**1,489,838**	**1,049,655**	**1,478,580**	**1,895,703**

Liquid assets and the emission capacity available at 31 December 2013 and 31 December 2012 are as follows:

	Thousand of Euros	
	2013	**2012**
Liquid Assets		
Eligible Assets (nominal value)	**12,756,957**	**11,658,844**
Eligible Assets (fair value and ECB adjustment)	10,830,020	9,002,244
Pledged Assets (fair value and ECB adjustment)	7,269,783	7,213,845
None- pledged Assets (fair value and ECB adjustment)	3,560,237	1,788,399
Of which:		
debt with central public administration	*5,059,339*	*2,585,290*
Issue Capacity		
Mortgage bonds	2,354,605	4,300,615
Territorial bonds	21,793	357,070
Issues guaranteed by the State	-	-
Total issueance capacity	**2,376,398**	**4,657,685**

28.4 Disclosures regarding refinanced and restructured transactions

The Bank of Spain issued Circular 6/2012, on public and confidential reporting requirements and financial statement templates on 2 October 2012, thereby amending Circular 4/2004 of 22 December.

In 2013, the Bank of Spain issued additional guidance on how to comply with Circular 6/2012 with respect to the identification and classification of refinancing transactions. As a general rule, these transactions are to be classified as ‘sub-standard’ transactions, unless there are objective circumstances warranting their reclassification as ‘doubtful’ or 'normal’ or performing exposures (essentially considerations such as the probability of collecting the amounts owed, or otherwise, the provision of additional guarantees/collateral, grace periods, etc.). As a result, in 2013 the Entity checked that it had formerly properly classified its refinanced and/or restructured transactions and how it had estimated the provisions covering those loans. This re-estimation has resulted in the recognition of an increase in provisions of €692,912 thousand in 2013.

The Group’s policy is to use transaction refinancing, restructuring, renewal and renegotiation formulae as credit risk management tools which, if used astutely, help mitigate credit risk by means of individual transaction analysis with a view to rendering borrowers and transactions economically viable (Note 6.2.b.5).

Detail of operations of refinance, refinanced and restructured at 31 December 2013 and 2012, according to the content of Circula 6/2012 (September 28) of the Bank of Spain and the policies established by the Entity is as follows:

Year 2013

Thousand of Euros

	Normal Situation						Substandard					
	Full mortgage asset backed security		Other secured loans		Without security		Full mortgage asset backed security		Other secured loans		Without security	
	Number of operations	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**
Public Administrations	-	-	-	-	25	119.340	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	4.244	658.539	46	5.208	6.813	381.136	2.351	723.007	28	3.084	2.435	366.032
Of which: Construction and real state financing	*360*	*120.352*	*6*	*2.159*	*237*	*22.272*	*649*	*387.834*	*4*	*641*	*258*	*112.718*
Other legal persons	11.427	1.065.621	58	2.386	11.788	262.514	3.435	395.522	38	1.743	3.331	190.846
Total	**15.671**	**1.724.160**	**104**	**7.594**	**18.626**	**762.990**	**5.786**	**1.118.529**	**66**	**4.827**	**5.766**	**556.878**

Thousand of Euros

	Doubtful							Total		
	Full mortgage asset backed security		Other secured loans		Without security		**Specififc Hedge**			**Specififc Hedge**
	Number of operations	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**		**Number of operations**	**Gross amount**	
Public Administrations	-	-	-	-	1	102	-	26	119.442	-
Other legal entities and individual entrepreneurs	4.184	2.187.971	44	11.611	6.612	1.857.591	1.702.778	26.757	6.194.179	1.809.204
Of which: Construction and real state financing	*1.721*	*1.586.387*	*9*	*6.759*	*1.596*	*1.219.909*	*1.229.939*	*4.840*	*3.459.031*	*1.290.145*
Other legal persons	3.853	444.368	25	1.748	7.392	271.462	208.049	41.347	2.636.210	241.233
Total	**8.037**	**2.632.339**	**69**	**13.359**	**14.005**	**2.129.155**	**1.910.827**	**68.130**	**8.949.831**	**2.050.437**

Year 2012

Thousand of Euros

	Normal Situation						Substandard						
	Full mortgage asset backed security		Other secured loans		Without security		Full mortgage asset backed security		Other secured loans		Without security		Specififc Hedge
	Number of operations	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**	
Public Administrations	-	-	-	-	41	298,110	-	-	-	-	6	4,966	-
Other legal entities and individual entrepreneurs	7,202	1,553,564	162	12,777	13,980	860,569	1,455	1,137,064	17	8,631	1,830	318,963	180,834
Of which: Construction and real state financing	*1,230*	*577,777*	*16*	*1,891*	*704*	*139,791*	*593*	*909,378*	*4*	*5,342*	*188*	*124,163*	*153,186*
Other legal persons	13,379	1,331,991	153	5,524	15,656	333,975	712	41,452	10	236	2,010	51,763	6,061
Total	**20,581**	**2,885,555**	**315**	**18,301**	**29,677**	**1,492,654**	**2,167**	**1,178,516**	**27**	**8,867**	**3,846**	**375,692**	**186,895**

Thousand of Euros

	Doubtful							Total		
	Full mortgage asset backed security		Other secured loans		Without security		Specififc Hedge			Specififc Hedge
	Number of operations	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**		**Number of operations**	**Gross amount**	
Administraciones Públicas	-	-	-	-	4	5,175	-	51	308,252	-
Resto de personas jurídicas y empresarios individuales	2,829	1,608,916	42	12,482	4,854	1,077,859	1,045,837	32,371	6,590,826	1,226,670
Del que: Financiación a la construcción y promoción inmobiliaria	*1,389*	*1,242,129*	*10*	*7,010*	*1,080*	*677,776*	*775,647*	*5,214*	*3,685,256*	*928,832*
Resto de personas físicas	2,647	322,480	19	2,795	5,157	187,238	124,794	39,743	2,277,454	130,855
Total	**5,476**	**1,931,396**	**61**	**15,277**	**10,015**	**1,270,273**	**1,170,631**	**72,165**	**9,176,532**	**1,357,525**

Detail of operations classified as default during 2013 is as follows:

	Thousand of Euros	
	2013	**2012**
Public Administrations	-	1,818
Other legal entities and individual entrepreneurs	1,587,958	1,043,866
Of which: Construction and real state financing	*1,046,316*	*787,108*
Other legal persons	196,380	116,774
Total	**1,784,338**	**1,162,458**

On Note 6 of these financial statements, policies applied by the Entity in terms of refinancing y restructuring operations, showing the measure and criteria used, can be seen.

29. Subsequent events

Independent of the matters mentioned in these notes to the accounts, between 31 December 2013 and 31 March 2014, 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.

The new Banco de Crédito Social Cooperativo (BCSC) was incorporated on 28 January 2014 by the Group’s 32 shareholding rural savings banks, including Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Banco de Crédito Social Cooperativo will begin to operate as the parent entity of the Cajamar Cooperative Group in May 2014, at which point it will take responsibility for its operations, commercial policy-setting and procedures.

Appendix I Breakdown of shareholdings at 31 December 2013

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		Thousand of euros			
Company	**Address**	**Activity**	**direct**	**indirect**	**Net carrying value**	**Assets**	**Equity**	**Results**
Group entities								
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Cooperative credit union	-	-	-	113,078	6,435	166
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Major, 10. Villareal. Castellón.	Cooperative credit union	-	-	-	339,129	21,773	601
Caja Rural de Torrent, S.C.C. (a)	Avd, Al Vedat, 3. Torrent. Valencia	Cooperative credit union	-	-	-	573,872	43,982	803
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Cooperative credit union	-	-	-	225,969	25,285	225
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Cooperative credit union	-	-	-	149,782	15,141	203
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Cooperative credit union	-	-	-	50,549	4,828	47
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Cooperative credit union	-	-	28	84,466	7,464	116
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia.	Cooperative credit union	-	-	-	108,895	9,989	120
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Cooperative credit union	-	-	-	68,906	6,167	376
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 8. Chilches. Castellón.	Cooperative credit union	-	-	-	26,314	2,634	27
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Volafames. Castellón.	Cooperative credit union	-	-	-	24,438	2,655	33
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Cooperative credit union	-	-	-	100,474	11,142	109
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Cooperative credit union	-	-	-	215,275	22,689	232
Caja Rural San José de Nules, S.C.C.V. (a)	Calle Mayor, 66. Nules. Castellón.	Cooperative credit union	-	-	-	145,936	8,466	188
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Cooperative credit union	-	-	-	34,612	3,144	40
Caja de Crédito de Petrel,Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Cooperative credit union	-	-	-	155,258	18,832	284
Caixa Rural Albalat Dels Sorells C.C.V. (a)	C/ Padre Salvador, 11. Albalat dels Sorells. Valencia.	Cooperative credit union	-	-	-	33,793	4,327	133
Caixa Rural de Turís C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Cooperative credit union	-	-	-	49,411	6,700	88
Alquileres Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	8.33%	-	-	115,835	17,400	10,690
Cajamar Gestión, S.A.U. (a)	Paseo de Almería, 25.Almería	Fund manager	100.00%	-	2,524	2,525	2,525	(30)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería.	Insurance broker	100.00%	-	60	4,709	349	153
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Paseo de Almería, 25.Almería.	Property development	100.00%	-	28,459	951,253	28,966	(121,909)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería.	Provision of technological services	81.00%	19.00%	2	924	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería.	Consulta aplicaciones y suministros informáticos	-	100.00%	12	78	39	5
Giesmed Parking, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Parking management	-	100.00%	-	11,231	(93)	(68)
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Avda. Cabo de Gata, 23. Almería.	Provider of IT services	100.00%	-	1,348	6,407	1,229	(2,814)
Hotel Envia Golf, S.L. (a)	Avda. de la Envía, 45. Vicar. Almería.	Property development in Envia Golf and Las Salinas	-	100.00%	4,273	14,738	4,273	(1,794)
Inmuebles Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	4.62%	-	-	133,288	76	6
Parque Industrial Acceso Sur, S.L. (a)	C/ Gasset, 1. Castellón	Property development	70.00%	-	1,417	12,448	2,101	(389)
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 1ª planta. Almería.	Holding company	100.00%	-	7,764	8,871	7,755	(856)
Talia Formación S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 4ª planta. Almería.	Adult education and other types of education	-	100.00%	41	291	103	4
Tarket Gestión, A.I.E. (a)	Avd. Montserrat Edif. Brisas portal 7, 3ª planta. Almería.	General services	80.00%	20.00%	2	415	3	-
Sumando Recursos, S.L.U. (a)	C/ Santa María Micaela, 6. Valencia.	Construction and explotation of energy production parks	100.00%	-	118	570	119	(35)
(a) Company Audited by PriceWaterhouse Coopers Auditores, S.L.					**46,049**	**3,763,740**	**286,501**	**(113,246)**

Details regarding entities accounted for by the equity method at 31 December 2013 are as follows:

Company	Address	Activity	% shareholding direct	indirect	Thousand of euros Net carrying value	Assets	Equity	Results
Jointly controlled entities								
Safei Rural Málaga, S.A. (b)	Plaza de la Marina, 1. Málaga	Fiancial broker	50.00%	-	-	32	32	(0)
					0	**32**	**32**	**(0)**
Associates								
Acuariums de Almería, S.L.	Avda. Reino de España s/n. Roquetas de Mar. Almería.	Operation of an aquarium	-	25.00%	-	3,608	(61)	(276)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería.	Quality certification	32.37%	-	18	2,444	1,646	51
Apartamentos Media Luna, S.A.	Avda La Envia 45. Vicar. Almeria.	Property development	-	50.00%	16,146	15,456	1,837	654
Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Property development	-	24.50%	-	3,125	108	(34)
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Monetary broker	-	22.19%	302	3,134	1,472	(68)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Plague Integral Controller	50.00%	-	3,381	37,520	8,000	1,458
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Insurance	50.00%	-	4,508	467,563	56,244	21,193
Cultipeix S.L. (b)	Camino Chabarria, s/n. Castellón.	Insurance	-	21.28%	-	22,530	(4,933)	(11,549)
Habitat Utiel, S.L.	C/ Pascual y Genil,17. Valencia	Fish farming	-	25.00%	2	383	3	-
Murcia emprende S.C.R., S.A. (d)	C/ Jacobo de las Leyes, 12. Murcia.	Property development	25.00%	-	1,365	5,428	5,411	201
Occidental Arroyomolinos, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Apartamento 113. Madrid.	Inversión en capital riesgo	-	25.00%	-	20,672	(142)	(1,061)
Parque Científico- Tecnológico de Almería, S.A. (a)	C/ Carretera Sacramento (P. Científico Tecnológico de Almería s/n)	Property development	30.05%	-	5,341	54,462	18,440	(2,607)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería.	Management of shopping areas	-	24.90%	15	335	82	(15)
Renovables la Unió, S.C.P.	C/ Mar,22. Valencía	Consulting in quality and agricultural procedures	-	40.00%	104	260	260	-
Sabinal Agroservicios, S.L.	Carretera de Ronda , 11, 1º-E. Almería.	Agricultural cooperative services	50.00%	-	23	48	48	(0)
Solaes Fruits, S.L.	Avda. Castello, 75, Castellón	Biotechnology applied to agriculture	-	25.00%	-	231	(143)	(58)
Tino Stone Group, S.A. (c)	Pol. Ind. Rubira Sola, s/n. Macael. Almería.	Construction subcontractor	24.96%	-	-	48,909	(62,352)	(48,820)
					31,205	**686,107**	**25,918**	**(40,930)**

(a) Company Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Without activity.

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Society in liquidation process
(g) Audited society by ACR Auditors Group, S.L.P.
(d) Audited by Deloitte auditores, S.L.

Appendix I Breakdown of shareholdings at 31 December 2012

				% shareholding		Thousand of euros			
Company	**Address**	**Activity**	**% of mutualization**	**direct**	**indirect**	**Net carrying value**	**Assets**	**Equity**	**Results**
Group entities									
Caja Rural de Canarias, S.C.C. (a)	C/ Nicolás Estévanez, 21. Las Palmas.	Cooperative credit union	2.58%	-	-	-	1,183,387	81,008	1,200
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Cooperative credit union	0.28%	-	-	-	127,664	5,880	(3,063)
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Major, 10. Villarreal. Castellón.	Cooperative credit union	0.83%	-	-	-	366,772	18,468	385
Caja Rural de Torrent, S.C.C. (a)	Avda. Pais Valencia, 3. Torrent. Valencia.	Cooperative credit union	1.55%	-	-	-	655,382	40,685	(23,138)
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante.	Cooperative credit union	0.52%	-	-	-	232,816	24,390	(487)
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante.	Cooperative credit union	0.38%	-	-	-	164,628	14,481	(1,294)
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Cooperative credit union	0.10%	-	-	-	49,164	3,749	203
Credit Valencia Caja Rural, C.C.V. (a)	C/ Santa María Micaela, 6. Plt Baja. Valencia.	Cooperative credit union	1.37%	-	-	370	597,449	15,223	(17,177)
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet. Valencia.	Cooperative credit union	0.20%	-	-	28	88,395	6,873	(483)
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 13. Cheste. Valencia.	Cooperative credit union	0.25%	-	-	-	113,412	9,622	(1,000)
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia.	Cooperative credit union	0.16%	-	-	-	69,626	5,600	(2,195)
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 8. Chilches. Castellón.	Cooperative credit union	0.06%	-	-	-	26,067	2,502	69
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Volafames. Castellón.	Cooperative credit union	0.07%	-	-	-	31,056	2,559	(32)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Cooperative credit union	0.25%	-	-	-	109,402	10,032	355
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Cooperative credit union	0.48%	-	-	-	221,190	20,812	(669)
Caja Rural San José de Nules, S.C.C.V. (a)	Calle Mayor, 66. Nules. Castellón.	Cooperative credit union	0.37%	-	-	-	165,520	7,698	(4,479)
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. Almenara. Castellón.	Cooperative credit union	0.08%	-	-	-	36,023	2,994	171
Caja de Crédito de Petrel,Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante.	Cooperative credit union	0.33%	-	-	-	150,229	18,130	666
Caja Rural de Casinos, S.C.C. (a)	Plaza Mayor, 10. Casinos. Valencia.	Cooperative credit union	0.10%	-	-	-	44,101	4,111	(752)
Caixa Rural Albalat Dels Sorells C.C.V. (a)	C/ Padre Salvador, 11. Albalat dels Sorells. Valencia.	Cooperative credit union	0.09%	-	-	-	38,361	4,137	(3,055)
Caixa Rural de Turís C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia.	Cooperative credit union	0.11%	-	-	-	50,986	6,525	(1,076)
Alquileres Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	0.00%	8.33%	-	1	135,649	7	(3)
Cajamar Gestión, S.A.U. (a)	C/ Goya, 15-2º. Madrid.	Fund manager	0.00%	100.00%	-	2,557	2,555	2,555	(19)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería.	Insurance broker	0.00%	100.00%	-	60	3,935	287	91
Cimenta2 Gestión e Inversiones, S.L.U. (a)	Paseo de Almería, 25.Almería.	Property development	0.00%	100.00%	-	59,469	543,349	40,549	(51,092)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería.	Provision of technological services	0.00%	95.00%	5.00%	3	1,248	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería.	Computer applications and supplies consultant	0.00%	-	100.00%	12	194	33	3
Gestión de Iniciat. Empres. y Soc. del Medit. S.L.U. (GIESMED) (a)	Paseo Alameda, 34. Valencia.	Property development	0.00%	100.00%	-	1,138	1,136	1,134	17
Giesmed Parking, S.L.U. (a)	Paseo Alameda, 34. Valencia.	Parking management	0.00%	-	100.00%	3	11,298	(24)	(27)
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Avda. Cabo de Gata, 23. Almería.	Provider of IT services	0.00%	100.00%	-	4,018	7,926	4,071	(1,856)
Hotel Envia Golf, S.L. (a)	Avda. de la Envía, 45. Vicar. Almería.	Property development in Envia Golf and Las Salinas	0.00%	-	100.00%	6,067	15,865	6,067	(6,687)
Inmuebles Alameda 34, S.L. (a)	Paseo Alameda, 34. Valencia.	Property development	0.00%	4.62%	-	3	128,128	70	8
Parque Industrial Acceso Sur, S.L. (a)	C/ Grecia (Cdad. Del Transporte), 31. Castellón.	Property development	0.00%	70.00%	-	2,049	13,135	2,782	(305)
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 1ª planta. Almería.	Holding company	0.00%	100.00%	-	8,914	10,330	8,611	(504)
Talia Formación S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 4ª planta. Almería.	Adult education and other types of education	0.00%	-	100.00%	41	192	95	8
Tarket Gestión, A.I.E. (a)	Avd. Montserrat Edif. Brisas portal 7, 3ª planta. Almería.	General services	0.00%	94.00%	6.00%	3	311	3	-
Sumando Recursos, S.L.U. (a)	C/ Santa María Micaela, 6. Valencia.	Construction and explotation of energy production parks	0.00%	-	100.00%	156	2,769	154	(7)
						84,891	**2,022,388**	**167,991**	**(72,854)**
Jointly controlled entities									
Safei Rural Málaga, S.A. (b)	Plaza de la Marina, 1. Málaga	Fiancial broker		50.00%	-	-	32	32	-
						-	**32**	**32**	**-**

(a) Company Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Without activity.

At 31 December 2012 associated entities measured using the equity method are as follows:

Company	Address	Activity	% of mutualization	% shareholding direct	% shareholding indirect	Net carrying value (Thousand of euros)	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%	-	3,449	(173)	(265)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería.	Quality certification		32.37%	-	18	2,574	1,688	173
Apartamentos Media Luna, S.A.	Avda La Envia 45. Vicar. Almeria.	Property development		-	50.00%	16,146	16,647	2,059	870
Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Property development		-	24.50%	1,901	2,578	30	(103)
Banco Inversis, S.A.	Avda de la Hispanidad, 6. Madrid.	Monetary broker		9.04%	-	8,801	-	97,422	5,238
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Plague Integral Controller		-	22.19%	298	3,292	1,470	(174)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Insurance		50.00%	-	3,381	32,156	6,338	312
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Insurance		50.00%	-	4,508	375,738	49,407	17,731
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%	1	8,019	2,691	2,539
Murcia emprende S.C.R., S.A. (d)	C/ Jacobo de las Leyes, 12. Murcia.	Inversión en capital riesgo		25.00%	-	1,322	5,285	5,269	86
Occidental Arroyomolinos, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Apartamento 113. Madrid.	Property development		-	25.00%	-	21,405	(109)	(1,029)
Parque Científico- Tecnológico de Almería, S.A. (e)	Campus Universidad Almería. La Cañada S. Urbano. Almería.	Management of shopping areas		30.05%	-	4,800	55,740	17,594	(1,295)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería.	Consulting in quality and agricultural procedures		-	24.90%	-	287	121	49
Sabinal Agroservicios, S.L.	Carretera de Ronda , 11, 1º-E. Almería.	Agricultural cooperative services		50.00%	-	23	48	48	(0)
Savia Biotech, S.A. (f)	C/ Magistral Dominguez, 11-3º. Almería.	Biotechnology applied to agriculture		19.23%	-	-	772	370	(960)
Tino Stone Group, S.A. (g)	Pol. Ind. Rubira Sola, s/n. Macael. Almería.	Construction subcontractor		24.96%	-	-	80,414	(16,906)	(4,555)
						41,200	**630,933**	**162,385**	**7,069**

(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 society by Gap Auditores, S.A.
(g) Audited society by ACR Auditors Group, S.L.P.

Appendix II Details of branches by geographic area

Province	Nº of GCC Branches 2013	Nº of GCC Branches 2012
ANDALUCIA	**376**	**380**
Almería	192	192
Cádiz	12	14
Córdoba	5	5
Granada	23	24
Huelva	3	3
Jaén	4	4
Málaga	133	134
Sevilla	4	4
ARAGÓN	**1 -**	**1**
Zaragoza	1	1
ASTURIAS	**1**	**1**
BALEARES	**25**	**26**
CANARIAS	**66**	**67**
Las Palmas	50	51
Santa Cruz de Tenerife	16	16
CANTABRIA	**2**	**2**
CASTILLA LA MANCHA	**19 -**	**19**
Albacete	7	7
Ciudad Real	1	1
Cuenca	9	9
Guadalajara	1	1
Toledo	1	1
CASTILLA LEÓN	**94 -**	**97**
Avila	6	7
Burgos	3	3
León	11	11
Palencia	18	18
Salamanca	1	1
Segovia	2	2
Soria	1	1
Valladolid	49	51
Zamora	3	3
CATALUÑA	**49**	**84**
Barcelona	39	58
Gerona	2	2
Lérida	1	1
Tarragona	7	23
COMUNIDAD VALENCIANA	**486**	**603**
Alicante	112	133
Castellón	101	136
Valencia	273	334
GALICIA	**3**	**3**
A Coruña	2	2
Ourense	1	1
LA RIOJA	**2**	**1**
MADRID	**38**	**44**
MURCIA	**183**	**190**
NAVARRA	**2**	**2**
CEUTA	**1**	**1**
MELILLA	**1**	**1**
	1,349	**1,522**

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	04/03/2013
	Mr. JOSÉ MARTÍNEZ CARMONA	Paterna del Río y Bayárcal	04/03/2013
	Mr. JOSÉ LUIS MATARÍN GUIL	Alboloduy, Santa Cruz de Marchena, Alsodux y Alhabia	04/03/2013
	Mr. FRANCISCO ORTA TORRES	Instinción y Rágol	04/03/2013
	Mrs. DOLORES RUBIO ALMANSA	Benizalón, Benitagla y Alcudia de Monteagud	04/03/2013
	Mr. CECILIO SOLBAS MARTÍNEZ	Terque y Bentarique	04/03/2013
Málaga			
	Mrs. RAQUEL BERBEL CAPILLA	Alcaucín	04/03/2013
	Mrs. MARÍA CONCEPCIÓN RAMOS PASCUAL	Iznate	04/03/2013
	Mrs. CARMEN SOTO HERNÁNDEZ	Totalán	04/03/2013
	Mr. ADRIANO VELA GÓMEZ	El Borge	04/03/2013

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 2013 the Group did not maintain agreements with persons designated to recruit customers or to promote and market operations and services.

Appendix IV Details on the main figures of the financial entities of the Group at 31 December 2013

Thousands of euros

Group Entities	Assets	Liabilities	Equity	Net interest income	Gross income	Net operating income	Profit before tax	Profit for the period
Caja Rural de Torrent, S.C.C.	574,459	530,477	43,982	8,129	19,183	2,119	1,023	804
Caixa Rural Vila-Real, S.C.C.	339,130	317,357	21,773	5,457	14,389	4,437	549	601
Caixa Rural Altea, S.C.C.V.	226,098	200,813	25,285	5,593	4,485	153	344	225
Caja Rural San Jose de Burriana, C.C.V.	215,275	192,586	22,689	3,308	3,259	490	320	233
Caja Rural San José de Nules, S.C.C.V.	146,083	137,617	8,466	1,782	7,437	265	246	188
Caixa Rural de Callosa de Sarria, C.C.V.	149,784	134,643	15,141	2,726	3,249	535	250	203
Caja de Crédito de Petrel, Caja Rural, C.C.V.	155,258	136,426	18,832	2,981	3,088	266	217	284
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	113,079	106,643	6,436	2,168	5,324	903	187	166
Caja Rural de Cheste, S.C.C.	108,895	98,905	9,989	1,855	1,729	202	163	120
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	100,832	89,689	11,142	1,354	1,463	87	164	109
Caja Rural de Alginet, S.C.C.V.	84,475	77,010	7,465	1,813	1,372	204	132	117
Caja Rural de Villar, C.C.V.	68,907	62,739	6,168	1,385	1,178	502	502	377
Caixa Rural de Turís, C.C.V.	49,411	42,711	6,700	881	1,014	141	75	89
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	50,550	45,721	4,828	1,216	472	69	69	47
Caixa Rural Albalat dels Sorells, C.C.V.	33,793	29,465	4,328	596	1,314	114	57	133
Caja Rural San Roque de Almenara, S.C.C.V.	34,612	31,467	3,145	632	513	52	52	40
Caja Rural San Isidro de Vilafamés, C.C.V.	24,438	21,783	2,655	554	324	45	45	33
Caja Rural la Junquera de Chilches, C.C.V.	26,454	23,819	2,634	563	502	40	40	27

Appendix IV Details on the main figures of the financial entities of the Group at 31 December 2012

Thousands of euros

Group Entities	Assets	Liabilities	Equity	Net interest income	Gross income	Net operating income	Profit before tax	Profit for the period
Caja Rural Canarias, S.C.C.	1,183,387	1,102,379	81,008	29,469	40,750	9,237	2,220	1,200
Caja Rural de Torrent, S.C.C.	655,382	614,698	40,685	10,981	4,985	(30,584)	(31,374)	(23,138)
Credit Valencia Caja Rural, C.C.V.	597,449	582,226	15,223	11,349	(380)	(22,547)	(23,615)	(17,177)
Caixa Rural Vila-Real, S.C.C.	366,772	348,304	18,468	7,532	10,287	1,233	534	385
Caixa Rural Altea, S.C.C.V.	232,816	208,426	24,390	6,059	3,204	(43)	(713)	(487)
Caja Rural San Jose de Burriana, C.C.V.	221,190	200,378	20,812	4,153	8,692	(923)	(917)	(669)
Caja Rural San José de Nules, S.C.C.V.	165,520	157,821	7,698	2,525	3,112	(5,840)	(6,011)	(4,479)
Caixa Rural de Callosa de Sarria, C.C.V.	164,628	150,147	14,481	3,385	1,505	(1,873)	(1,763)	(1,294)
Caja de Crédito de Petrel, Caja Rural, C.C.V.	150,229	132,083	18,146	3,850	5,487	1,254	1,248	666
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	127,664	121,673	5,991	1,934	2,647	(3,095)	(3,108)	(3,063)
Caja Rural de Cheste, S.C.C.	113,412	103,790	9,622	2,127	315	(971)	(1,373)	(1,000)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	109,402	99,370	10,032	2,438	1,696	470	475	355
Caja Rural de Alginet, S.C.C.V.	88,395	81,522	6,873	1,871	1,877	(582)	(672)	(483)
Caja Rural de Villar, C.C.V.	69,626	64,012	5,614	1,979	(447)	(2,945)	(2,945)	(2,195)
Caixa Rural de Turís, C.C.V.	50,986	44,461	6,525	959	1,250	(1,402)	(1,429)	(1,076)
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	49,164	45,415	3,749	1,063	(152)	286	285	203
Caja Rural de Casinos, S.C.C.	44,101	39,931	4,170	940	1,057	(1,000)	(1,010)	(752)
Caixa Rural Albalat dels Sorells, C.C.V.	38,361	34,215	4,146	687	923	(3,354)	(4,079)	(3,055)
Caja Rural San Roque de Almenara, S.C.C.V.	36,023	33,029	2,994	776	257	229	231	171
Caja Rural San Isidro de Vilafamés, C.C.V.	31,056	28,497	2,559	641	(14)	(45)	(44)	(32)
Caja Rural la Junquera de Chilches, C.C.V.	26,067	23,565	2,502	667	186	80	81	69

CAJAMAR CAJA RURAL
SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES OF THE CAJAMAR COOPERATIVE GROUP (CAJAMAR COOPERATIVE GROUP)

Consolidated Directors' Report

Financial Year 2013

GRUPO COOPERATIVO CAJAMAR

Macroeconomic Environment

- In 2013 the Spanish economy continued to improve gradually, emerging from the recession into which it had relapsed in early 2011. GDP grew by 0.1% in the third quarter and 0.2% in the fourth quarter of the year.

  Regarding the year-on-year change, the rate at which the Spanish economy contracted slowed in 2013, going from (-0.80%) in the first quarter to 0 by the end of the year.

- Despite these improvements, the net result of GDP growth in 2013 was -1.22%, partly due to the sweeping effects of the changes in 2012.

  In terms of **domestic demand,** including both consumer spending and capital investments, the annual variation was less negative in the fourth quarter of 2013.

  Consumer spending by households grew by 0.7% which was 2.5 percentage points higher than in the third quarter, due primarily to an increase in goods and services as well as a more favourable employment outlook. Private vehicle registrations continued to increase, encouraged by successive renewals of the PVIE programme.

  The decline in gross fixed capital eased in the fourth quarter, when it went from (-5.3%) to (-1.7%). At (-2.5%), investment in tangible assets was down 3.1 percentage points less than the previous quarter. This behaviour is due to a generalised improvement in the investment in different kinds of assets, particularly durable goods and crops, which jumped from 2.2% growth in the third quarter to 9.5% in the fourth. Finally, the variation in investment in intangible assets was 6.0% compared to (-2.9%) the previous quarter.

  Investment in construction assets improved, going from (-9.8%) to (-8.6%), as a consequence of the evolution of investments in housing and other types of construction.

  The contribution of the **foreign sector** to GDP declined from 1.00% in the third quarter to 0.04%. Both imports and exports grew compared to the third quarter, although imports improved more than exports.

- Unemployment at the end of December 2013 stood at 4.7 million people, with 147,385 fewer unemployed people (-3%) for the year, the first annual decline since 2006.

  By sectors, the only rise in unemployment was in agriculture, with 12,188 more unemployed people (+6.5%) with decreases in all other sectors, primarily construction, with 103,135 fewer unemployed (-13.6%) and industry with 34,101 fewer (-6.3%). The services sector saw a decline of 21,729 unemployed (-0.7%) and the group of people without previous employment was down by 608 people (-0.17%).

  The Social Security administra tion ended the year with 85,041 fewer registrations, or 0.52% less, after ending 2012 with a total of 16,442,681 affiliates. Even so, fewer affiliates were lost in 2013 than in 2012, 2011, 2010 and 2009, when the system saw decreases of (- 4.57%), (-2.02%), (-1.23%) and (-3.93%) affiliates.

  Regarding the affiliation system, it is notable that the independent contractor group was the only one to end 2013 on a positive note, with 3,050,341 affiliates at the end of December, 25,689 more than in 2012 (7,745 more than in November 2013).

- An **inflation rate** of 0.3% at the end of 2013 contrasts with the rate of 2.9% at the end of 2012, due primarily to the effects of increased VAT and also the levels reported in 2011 and 2010, which were 2.4% and 3%, respectively. The Consumer Price Index began the year at high year-on-year levels of 2.7%, 2.8% and 2.4% in the first three months of the year. This trend was broken in April when the CPI stood at 1.4%, marking the beginning of a more moderate trend. Starting in September and October, the consumer price index began to decline abruptly, when the effects of the amended VAT laws introduced a year before ceased to have an effect. In fact, in October, for the first time in four years, the **Consumer Price Index** was down by 0.1% due to lower food and non-alcoholic beverage costs and the disappearance of the effects of the increase in university fees that had been implemented in the same month one year before. Lower fuel prices also had an influence on the downward trend in inflation in November and December. The HIPC (Harmonised Index of Consumer Prices) ended 2013 with an annual variation of 0.3% after starting the year with rates near 3%.

- The **IBEX 35** closed 2013 at 9,916.7 points, which represents an annual appreciation of 21.42%, higher than that experienced by the European EUROSTOXX 50 index (17.9%). This was the first time since 2009 that the Spanish stock exchange closed the year with an increase.

  For the IBEX, there are two different parts to the year 2013. During the first six months, the Spanish index was at the bottom of the main European indices and had accumulated losses of 7.5% as of the 24th of June, when it reached 2003 levels. Until that time, doubts about the health of the Spanish economy lingered among investors, due to the fact that the IBEX had lost 27% of its value in the last three years.

- Starting in the summer, however, the market made a 180º turn motivated by a change in the perception of Spain's situation based on the latest macroeconomic indicators, which showed that the worst of the crisis was over, and based on investors' growing confidence in the economic recovery. The index began an ascent which exceeded 10,000 points in October, a level not seen since 2011.

- Another indicator of the change in investor perception is the behaviour of the **risk premium**. Interest on Spanish treasury bonds was down by more than one percentage point since the beginning of the year (4.14% compared to 5.26%). The spread between the Spanish and German bonds went from 359 basis points at the beginning of 2013 to 230 basis points at the end of the year, seeing its highest peak in the month of February at 391 basis points. The reduction in the interest on Spanish debt was due in part to the improvement in economic activity in the latter part of 2013, with quarterly GDP growth and upward revisions of the outlook for Spanish sovereign debt rating by two credit rating agencies (from negative to stable).

- In the foreign currency market, the **Euro** closed the year 2013 at 1,379 dollars (1,319 dollars in December 2012), which represents an appreciation of more than 4.3%. This appreciation of the euro against the dollar is motivated on the one hand by a return of investor confidence in Europe which saw a resurgence in investments in European assets and on the other hand by the weakness of the dollar thanks to the maintenance of the Federal Reserve's monetary stimulus.

  However, if the trend continues, Spain could be harmed by the competitiveness of its exports, increasing the risk of suffering from the "replacement effect" of domestic goods by goods from other markets.

- In 2013, the ECB lowered **official interest rates** in the Euro zone on two occasions: the first time was in May when the rate was set at 0.50%, following a 1/4 point reduction from the 0.75% rate that had been in place since July 2012. The interest rate is lowered once again in November, this time to 0.25%, a historical low, which is justified by low inflation in the euro zone, the strength of the euro against the dollar and an attempt to improve the financing possibilities of businesses.

The **Euribor at 12 months** closed December at 0.543%, 0.6 b.p. less than in December 2012 (0.549%), and without having experienced significant changes during the year.

The **Euribor at 3 months** rose from 0.185% in December 2012 to 0.274% at the end of 2013, 0.08 b.p. higher, although in December 2013 it was up from 0.223% in November, which more accurately represents its behaviour during the rest of the year.

- In the **financial sector**, in 2013 the Financial Assistance programme for Spain came to a successful close, on schedule. Since 2009, Spain has received a total of EUR 61,366 million, although Spanish banks will be under surveillance until the entire amount has been repaid.

On 30 April, the Bank of Spain's Directorate General of Regulations sent a memorandum to Spanish banks about provisions for substandard loans (loans that are not in default but are extremely likely to become delinquent) and business loan refinancing. In that document, the Bank of Spain ordered Spanish banks to recognise as delinquent all refinanced substandard loans, whether for SMEs or large corporations, and to reclassify many loans that were previously considered in good standing, thereby **increasing provisions considerably**.

The number of doubtful private sector loans continued to increase, with the exception of the construction and real estate development sectors, whose "toxic assets" were transferred to SAREB (the "bad bank") in 2013 by nationalised banks (Group 1) and other banks that have required assistance but were not nationalised (Group 2).

Hence, the **default rate** for the sector in November 2013 stood at **13.18%,** compared to 10.58% at the end of 2012.

The consolidated results for deposit banks stood at 8,246 million euros between January and June 2013 (last publication date of consolidated results for the sector) which contrasts with negative results of just over 3,000 million euros on the same date the year before. The gains achieved in June 2013 by all of these entitles combined resulted in a total return on assets (ROA) of 0.45% compared to (0.17 %) the year before. The average return on shareholders' equity (ROE) was 7.8% in June 2013, in contrast to the (-3%) observed in June 2012.

The improvements in the results of deposit entities taken as a whole was due to the fact that fewer provisions were funded this year compared to last year, when banks had to meet the additional requirements of LRDs 2/2012 and 18/2012 passed in the first half of 2012, which required an extraordinary effort on their part.

The reduction in provision requirements offset the situation of profit margins, in particular interest rate margins that experienced downward pressure in an environment of reduced interest rates, tight credit and an increase in toxic assets which do no accrue interest.

Finally, significant advances were made at the end of the year towards the development of the legislative framework for a unified banking system. With the creation of the first component, the Single Supervisory Mechanism, the European Central Bank (ECB) was entrusted with the supervision of all credit entities in euro zone countries and others that do not use the euro but have voluntarily decided to participate in the project. In November, the ECB began a comprehensive preliminary assessment of the credit institutions in participating countries, which continued throughout the year. The purpose is threefold: to evaluate the general risk factors, analyse the quality of the assets and conduct resistance tests to tension scenarios, which will be carried out in collaboration with the European Banking Authority (EBA). This is a legal requirement that is also intended to increase transparency in an effort to boost confidence in the sector.

- 2013 ended with certain indications of a recovery in the credit market, at least for SMEs(loans under 1 million EUR) and private households. SME financing grew by 10.4% in December compared to the same month the year before and was 9.4% higher than in November. However, this growth was insufficient to end the year on a positive note, with total production for 2013 coming in 7.8% below the year before.

  The most positive signs could be seen in consumer credit, which end the year with 6% annual growth

- In view of the above, the Spanish economy is expected to recover over the next two years. According to the IMF, GDP will grow by 0.6% in 2014 and 0.8% in 2015.

  The recovery will be supported by the restoration of consumer confidence, improvements in the job market, lower financing costs, the lasting effects of exports and, finally, the advanced stages of certain internal adjustments.

Evolution of the Business

- In the months of May and June 2013, the ordinary general assemblies of three companies of the Cajas Rurales Unidas Group (hereinafter, the Group): Caja Rural de Casinos, a co-founding member of th Group, Credit Valencia Caixa Rural and Caja Rural de Canarias, incorporated in 2012, approved their merger with Cajas Rurales Unidas (hereinafter, Cajamar), which did not alter the Group's scope of consolidation but did reinforce its parent company, Cajas Rurales Unidas. Therefore, at the end of 2013 the Group comprises 19 entities, reaffirming its leadership in rural banks and keeping it among the country's top 15 banks of this kind.

- In the Group's first full year in business, the **balance sheet** at 31 December 2013 stood at EUR 42,104 million, -2.4% less than the year before, due primarily to the sale of the securities portfolio which generated profit that was carried to the income statements and to a reduction in the need for wholesale financing and deposits with credit institutions than in 2012, which did not affect the Bank's business with its customers.

- More specifically, **total turnover,** which includes not only the retail but the wholesale business as well, stood at €73,281 million, EUR 690 million less than the year before, or -0.9 % in relative terms, primarily due to the wholesale business which totalled EUR 11,907 million, down by nearly EUR 711 million. By contrast, retail business was up by EUR 21 million, to EUR 61,374 million, despite the persisting difficulties of the bank's clientele, with less disposable income and savings and an economic situation that began to improve in the final months of the year.

- **Balance sheet resources,** which stood at EUR 36,420 million, were also affected by the evolution of **wholesale resources,** where there was a generalised decrease in nearly all aggregates, notable among them a decline in money market operations through counterparty entities in the amount of EUR -595 million and the appeal to the European Central Bank for EUR 500 million. On the other hand, there were new debt issued in May and November of 2013, including simple debt such as mortgage certificates in the amount of EUR 1,250 million and the securitizations, IM Cajamar Empresas 5e and IM Cajamar Empresas 6, both in December, some of which were sold on the market. **Retail customer resources** remained practically unchanged compared to the year before, down -0.1% to nearly EUR 24,513 million, due to the transfer and diversification of the proceeds from the maturity of Cajamar's promissory note issue into **loans and advances to customers** with a year-on-year growth of EUR 406 million, off balance resources and the Group's share capital.

- The **gross balance sheet loans to customers** stood at EUR 36,861 million after experiencing year-on-year growth of EUR 47 million, due in large part to an increase in money market operations, since there are still difficulties channelling credit from the financial sector to households and businesses, partly because of the ongoing reorganisation of the sector and partly because of the poor creditworthiness of customers which makes it difficult for them to access financing Originating that the new operations being less than maturities, which in the Group translates in a decline of a 5.0% in healthy loans and advances

- As in prior years, the Group continues to be committed to progressively reducing the preponderance of the construction and real estate development portfolio on customer loans in favour of other market segments such as households and SMES and especially the food and agriculture sector. This is reflected in the fact that in 2013 the percentage was down 7.9% from 10.0% in 2012, following a decrease of EUR 695 million.

- The fulfilment of the Bank of Spain's instructions in the circular dated 30 April on loan refinancing and reorganisation, which imposed on banks the obligation to standardise their refinancing policies and conduct individualised reviews of their refinancing portfolios to ascertain the impact on defaults and new provisions, raise the volume toxic assets and hence their default rates across the entire financial sector. In this regard, questionable refinanced loans increased in 2013 by EUR 1,592 million, which translates into an increase of EUR 1,650 million in the Group's **toxic assets**, ending the year at EUR 6,322 million. Consequently, the **default rate** was 17.15%, 4.5 p.p. higher than in 2012.

- This revision of refinancing portfolios also brought about the need for increased coverage of those operations in the amount of EUR 698 million, which raised the default allowance for loans by €2,754 million. The total **coverage rate** was 43.8%.

- At the end of the year, the credit rating assigned by **Fitch** to the Cajas Rurales Unidas Group in 2012 remained unchanged, with a rating of «BB» for long term debt and «B» for short term debt.

- At year end the Group had a staff of 6,616 **professionals,** 6,129 of whom pertaining to Cajamar were distributed across a network of 1,349 branch **offices** all over the country, primarily in the Valencian Community, Andalucía and the Region of Murcia.

Clients

- At 31 December 2013, the Group had more than 3,961,000 **clients**, almost 92.7% of whom were individuals.

Share capital

- The **share capital** had year-on-year growth of EUR 312 million, or 15.6% in relative terms, for a total of EUR 2,316 million.

- The number of **shareholders** increased compared to the year before by more than 103,600 for a total of 1,328,000. Individuals accounted for 93.6% of the total.

Risk management

- **Note 6 of the report**, which is part of the Annual Accounts, offers a detailed analysis of the year-end situation and the management in 2013 of the different types of risk to which the bank is exposed (credit, market, liquidity, interest rate, operational and exchange rate).

Results

- After successfully getting through 2012 without the need for public assistance, despite profound regulatory changes that severely impacted the income statement and led to the reorganisation and recapitalisation of the financial sector, at the end of 2013 the Group was more solvent and efficient than one year ago with substantially better results, despite the new events, some of them unforeseen, that took place during the year.

- Effective management and the alignment of the Group's entire organisation helped to palliate the adverse effects on the income statement caused, first and foremost by the supreme court decision that eliminated interest rate floors on Cajamar's private mortgages and secondly by the new regulatory changes on reorganised loans and the need for additional provisions. Both circumstances led to the implementation of a series of extraordinary measures designed to boost revenues through commissions and the purchase and sale of public debt.

- **Interest rate margins** saw year-on-year growth of 10.2% for a total of EUR 625.7 million, thanks to a 3.6% increase in financial revenues and a 2.9% reduction in financial costs. The adequate management of margins, the additional revenues from the purchase and sale of fixed income securities during the year, which accounted for 16.0% of financial revenues compared to 11.8% in 2012 and the lower cost of wholesale financing thanks to lower interest rates and the positive volume effect, were responsible for this favourable evolution, offsetting the negative impact on financial revenues of the investment required by the parent as a result of the supreme court ruling.

- **Gross margin** was EUR 1,107.5 million, which is 45.2% higher than the year before, thanks to the growth of all leading aggregates, especially commissions and financing revenues, with a year-on-year variation of 76.2% and 172.3%, respectively, which represents an increase in the gross margin of nearly 77%.

- Higher **commissions** are owing, first and foremost, to the intensification of commercial activities designed to strengthen ties with customers through cross sales of products and services and secondly to the increase in the fees charged for collection and payment services, especially on current accounts and credit cards. Moreover, one of the determining factors of the increase in **financial operating results,** which totalled EUR 234.8 million, was the revenues obtained from the sale of available-for-sale financial assets and the profits on the sale the parent's non-performing loans. Together, the two aggregates contributed 46% of gross income in 2013 compared to 56% of the interest margin.

- Likewise, **other operating charges and products** favoured the expansion of the gross margin with EUR 21.8 million due to lower operating costs which were down 31.4% and at once compensating the lower operating profits from sales and revenues from non-financial services rendered.

- **Operating expenses** (which included administrative costs and amortisations) were up by 31.5% primarily due to organic growth of office locations and employees and the addition of CRM entities, which were included for an entire year as opposed to 2 month the year before. Amortisations include the intangible assets generated in connection with the business combination that arose during the merger process with Ruralcaja. All of this, combined with a policy of containing administrative costs and consolidating the process of streamlining the commercial network, made it possible to grow the **operating margin** to EUR 544.6 million, which was 62.8% higher year-over-year.

- A total of EUR 92.4 million was allocated to **funding provisions,** which was EUR 15.0 million more than in 2012 primarily due to the reorganisation of the staff and, to a lesser extent, to the creation of the Banco de Credito Social Cooperativo and other types of contingencies.

- **Impairment losses on financial assets** declined by EUR 904.4 compared to the year before, due to the considerable volume of extraordinary provisions set up in 2012 in compliance with regulatory requirements for banks to cover toxic loans pursuant to Legislative Royal Decree 2/2012 of 3 February on the write-down of bad debts in the financial sector and Legislative Royal Decree 18/2012 of 11 May on the write-down and sale of real estate assets in the financial sector. This was a one-time effort that was completed without public funds thanks to the strength of the Bank's equity. Consequently, **operating results** stood at EUR 182.8 million, in contrast to the losses from the previous year.

- The year-on-year decrease in **impairment losses on other assets** was 67.1% less than the year before due to lower provisions and the deeds in lieu of foreclosure carried out in compliance with the royal decrees enacted in 2012.

- Finally, the Group **earned** EUR 82.8 million in profits last year, which guarantees and safeguards the interests of shareholders and customers alike.

Efficiency

- The Group is more **efficient** compared to the year before, with a 5.31 percentage improvement in the ratio which stood at 50.8% at the 2013 year end. The increase in ordinary income (45.2%) was much higher than the increase in operating costs (31.5%).

Solvency

- At 31 December, the **capital** of the Cooperativo Cajamar Group stood at EUR 2,423 million, which represents a substantial increase in the excess over minimum requirements, which rose from 449 million at the end of 2012 to 707 at the 2013 year end.

- The **solvency ratio** of the Cooperativo Cajamar Group at 31/12/2013 was 11.3%, which represents a 1.5 point improvement over the year before, with a **core capital ratio** of 10.9 % which is 1.9 points higher than the ratio set by regulators in Law 9/2012 of 14 November on the reorganisation of credit institutions, which establishes an across-the-board core capital ratio of 9% as of 1 January 2013, In this regard, the 1.7 point increase in the core capital achieved this year has positive repercussions for the quality of the Group's capital and reserves.

- The **capital requirements** decreased by 12.8% to EUR 1,717 million, 90.7% of which related to **credit, counterparty, dilution and delivery risk.**

Creation of Banco de Crédito Social Cooperativo (Cooperative Loan Bank)

- In the month of November, at an extraordinary session of the General Assembly, the member entities of the Group approved the creation of a new **cooperative model** in response to the reorganisation which the financial sector is currently undergoing. The **Banco de Credito Social Cooperativo**, which will be the new parent company of the Cooperativo Cajamar Group, will be created in the first half of 2014, with 32 rural banks as shareholders, 19 of which are current members of the Cooperativo Cajas Rurales Unidas Group and 13 more are rural banks that have decided to join the project.

- The object of this new model is to be the **cooperative bank of reference in Spain,** establishing a framework to facilitate the integration, at different levels, of a greater number of rural banks, which are currently highly fragmented and therefore less equipped to deal with the challenges of the future. Other goals are to attract new shareholders and to have the potential to access new capital markets to build the solvency and liquidity of the new Group.

- 2014 will be a year in which, thanks to the volume of business and its leadership position among rural banks, the Group will be audited and examined by the European Central Bank along with other leading Spanish and European financial institutions, which is a privilege and a guarantee of transparency for shareholders and customers.

- The Group will remain true to the same cooperative values and principles that have made it so successful, which a clear vocation to take advantage of the business opportunities offered by a broad network of branch offices directed by excellent professionals who are willing to offer our customers and shareholders the quality service they deserve.

Technology projects, alternative channels and R&D

In 2013, **business development** focused on two clearly differentiated pillars. On the one hand, the Group continued to adapt to the regulations that took effect during the year; on the other hand, efforts continued to develop and improve our products and services, adapting them to our customers' needs, especially in the food and agriculture sector which is one of the bank's strategic sectors.

In the area of **enhanced products and services,** the following projects were noteworthy:

<u>Expansion of the Electronic Banking products catalogue:</u>

- In 2013 the bank started to offer "preapproved" loans and credit cards through electronic banking to customers with good credit scores.

<u>Evolution in the negotiation and setting of prices</u>

- Most of the bank's investment products have been incorporated into online price scoring, thereby expediting and standardising the process of negotiating financing conditions.

- This has enabled us to create a specific mortgage refinancing products for private consumers, with much faster pricing decisions.

- Creation of personalised rates for site accounts: following the latest updates of standard account maintenance fees, it is now possible for us to negotiate maintenance fees with customers based on series or pre-determined conditions.

- New rates for cooperative customers: similarly, cooperative customers who meet a series of requirements are entitled to discounted maintenance fees.

- Commercial link: fees can be negotiated on the basis of business relations.

- Connection between share capital and investment operations: more attractive financial conditions are offered to customers who invest in a certain percentage of share capital, depending on the volume of financing extended.

Expansion of product catalogue

- The Bank is preparing to launch a MASTERCARD in 2014, thereby completing the range of credit cards available to customers.

- In 2013 the Bank began marketing two flat rate packages: one for private individuals and the other for SMEs. Both include the most common banking services: accounts, cards, electronic banking and certain transactions such as transfer, for a fixed monthly fee.

Projects in the food and agriculture sector

- Action plan for the Valencian Community, supporting citrus farmers with products to satisfy their working capital and foreign trade needs.

- Action plan for wine and cava producers, with products to satisfy their working capital and foreign trade needs.

- YOUNG FARMER ENTREPRENEURS Campaign: Investment loans for people under 40 years of age which can be used for farming start-ups or to update existing operations.

- RURAL WOMEN Campaign Microcredits for rural women through EIF funds to provide them with financing for their projects.

- Crop conversion line: Financing to support plans to change the crop varieties grown.

- Financing for the installation of mesh to protect crops from hail and plastic for greenhouses.

- Action plan for olive growers. An aggressive campaign to provide the farmers and cooperatives in this sector with financing.

- PAC processing and PAC financing campaign.

- Campaign to provide pre-approved financing to intensive farming operations.

Noteworthy as far as regulatory compliance was:

- The enactment of Law 1/2013 which limits the late interest that can be charged on the loans of private consumers to 4 times the legal interest rate.

- Annex 5 to Circular 5/2012 on Transparency, which requires banks to provide customers with statements showing the details of the interest and fees debited/credited to their accounts for the entire year.

Finally, in the last half of 2013, work continued on the implementation of a **new customer care model** which will be rolled out in 2014 and which focuses more heavily on **commercial policies based on more personalised customer service by customer service manager.**

To do so, customers were segmented using variables such as volume of business or types of relationships. Once segmented, they are grouped into "portfolios" of homogeneous customers and then serviced by a customer service manager. For private party customers, the Personal Banking portfolio remains in place while new ones, such as "high value" and "mass market", have been created. For business customers, the Bank has created portfolios for corporate customers, SME, independent contractors and farmers, the last two representing the Bank's strategic sectors.

This model will enable the Bank to attract and reactivate valuable customers as well as strengthen the ties and boost the volume of business with others. It will also allow the Bank to align the Commercial Management Model with management objectives and to identify the best commercial practices for portfolio management.

As regards **multichannel distance banking,** the options offered by the mobile application have been expanded, with PUSH notifications, a system of free notices that replaces the SMS system, virtual mailbox access with the possibility of consulting and saving documentation related to financial transactions and the inclusion of a real estate search engine with the properties available through our real estate company, Cimenta2. The number of mobile banking users has tripled from 35,000 in 2012 to 108,000 in 2013.

Improvements have also been made to electronic banking, with a new version of Web Remittance, more functionalities for My Finances, an additional service that allows customers to manager their personal finances and access with e-ID. In addition, the tools and developments needed for the new SEPA exchange environment have been enables, which affects. This exchange affects all issuers and receiver of invoices and transfers and anyone makes payment or collections inside the euro zone.

From a **technology** standpoint, on the one hand work was done on new computer developments for strategic projects, such as the creation of the new bank or the mergers or additions of new entities to the Group while on the other hand efforts continued to modernise applications in order to reduce costs:

Cost-reduction projects included:

- Migration of servers for data centre environments from HP platforms to more economical Linux environments.

- Replacement and adaptation of old tools and infrastructures to new, more economical ones such as Active Directory (LDAP) by Oracle using Open technology and the elimination of obsolete servers.

- Migration of Oracle solutions for Means of payment to lower cost platforms, which will prevent the need for future investments.

- Migration of the SSCC email environment to DPCs in Madrid.

- Application Virtualization Plan (for office network), which is a strategic project that in the future will affect each workstation, thus enabling possible mergers or integrations with other entities in the future.

Global projects

- Definition of the service model, infrastructure, SAS billing modules and implementation of the changes to different devices in connection with the creation of the Bank. This project will be complete in 2014.

- Projects for investee companies, such as the internalisation of Prinex for Cimenta2.

- Adaptation of PIC for methods of payment to third parties. Rules imposed by VISA to offer services to third party entities.

- Improvement and expansion of Call Centre capabilities, tool used by the Customer Service area and gradual integration of the infrastructures of merged entities into the Cajamar environment.

Pilot solutions to be addressed in 2014

- Migration of Web portals to the more modern Sharepoint 2013 technology.

- Migration to the new IdM — Identity Management tool to manage all of the Bank's user permission profiles.

- Application Control — Teller machine shielding. This initiative is intended to isolate teller machines from the operating systems installed in them, making them safer against viruses and hackers.

Events after the balance sheet date

- Other than as described in this report, between the 31st of December 2013 and the 31st of March 2014, the date on which the annual accounts were drawn up by the governing body, there were no significant events that must be included in the enclosed annual accounts so as to show a true image of the Bank's equity, financial situation and results.

ANNUAL CORPORATE GOVERNANCE REPORT

A OWNERSHIP STRUCTURE

A.1. List of the most significant shareholders or participants in the entity at the closing date:

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:

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:

A.4 Indicate the legal and by-law restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock.

Yes [X] **No** [ ]

Description of the restrictions

- Restrictions on voting rights

  According to the by-laws of Cajas Rurales Unidas, Sociedad Cooperativa de Credito (hereinafter, the Bank or the Entity) each shareholder, present or represented, will may vote at the Preparatory Meetings, except:

  A) When a punishment has been imposed on a shareholder which entails the suspension of voting rights.

  B) When the shareholder is expelled by the Chairman based on his or her antisocial behaviour.

  C) When the shareholder must abstain from voting because of a conflict of interest.

No single attendee may represent the voting rights of other shareholders that exceed thirty percent of the voting rights present and represented at the general assembly.

The attendees who hold offices in the Bank will cast their own votes and, where applicable, those of two other shareholders they represent. The obligation to abstain from voting as described in C) above applies to office holders.

- Share capital acquisitions and transfers:

  The Credit Cooperative Act establishes that the total amount of each shareholder's contribution may not exceed 20 percent of the share capital for legal entities and 2.5 percent for natural persons.

  Under no circumstances may legal entities that are not cooperative entities hold more than 50 percent of the share capital.

  According to the Bank's by-laws, the shares may only be transferred in inter vivos acts to other shareholders or those who become shareholders within three months.

  In mortis causa transfers, the rightful owner must apply for admission as a member. If the rightful owner does not apply for admission or if the application is denied, he/she will be entitled to liquidate the inherited shares.

B) GENERAL MEETING OR EQUIVALENT BODY

B.1. Indicate the quorum for holding a general meeting or a meeting of an equivalent body as stipulated in the by-laws. Describe the differences between the system of minimums established by the Spanish Capital Companies Act or any other applicable legislation

The Bank, as a credit cooperative, is bound by the rules that apply to such entities and there are differences between the legally established system and the bank's own internal rules.

In accordance with the provisions of section 1, Article 17 of the by-laws, "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 23 section 5, of the by-laws 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 25, section 2, of the by-laws 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. On second call only 40% of the chosen Delegates and members holding positions must be present.[...]"

B.2. Explain the system for adopting resolutions. Describe any differences with the system established by the Spanish Capital Companies Act or any other applicable legislation.

The Bank, as a credit cooperative, is bound by the rules that apply to such entities and there are differences between the legally established system and the bank's own internal rules. Article 26 of the by-laws establishes the applicable legal provisions with respect to this area.

Accordingly, and in order to exactly describe the manner of adopting resolutions, Article 26 is transcribed below:

"Article 26. System of majorities at the General Assembly

1. The General Assembly 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) Adopt resolutions concerning membership of a cooperative group of those regulated in Law 27/1999, concerning their deregistration, the creation of a new cooperative group and in general with respect to whatsoever agreements should be adopted in relation to the relationship with a Cooperative Group.

b) Amend these by-laws.

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 16.2.g) of these by-laws.

e) Reactivate the entity.

f) Issue debentures or other securities if required by applicable legislation.

g) Agree 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."

B.3 Briefly indicate the resolutions adopted by the shareholders' meetings held in the year of this report and the percentage of votes that approved each resolution.

On 27 June 2013 the Bank held an ordinary General Assembly in which the following motions were unanimously passed, per the meeting agenda:

Approval of the Individual Annual Accounts and the Consolidated Annual Accounts and Directors' Report of Cajas Rurales Unidas, Sociedad Cooperativa de Credito and entities of the Cooperativo Cajas Rurales Unidas Group for the fiscal year ended 31 December 2013; distribution of available funds and basic lines for the application of Education and Development funds.

- Amendment of the Bank's by-laws which affects the following articles, among others: 14, parts 3 and 5; 24 part 3; 29 part 1; 49, parts 1, 2 and 3; 50 part 1 and Fifth Additional Provision.

- Setting of limits, deadlines and forms of payment of interest on capital contributions. Delegation of the governing body with the power to enforce the resolutions adopted.

- Authorisation of the Bank's governing body to issue financial instruments in compliance with the laws in force at any given time.

- Authorisation of the governing body to grant powers over the management of the Education and Development Fund until the Ordinary General Assembly in 2014.

- Ratification of the governing body's actions in relation to the Cooperativo Cajas Rurales Unidas Group since the time of the last Extraordinary General Assembly.

- Renewal of the authorization granted to the governing body and ability to delegate powers as needed in order to approve the inclusion of new entities in the Cooperativo Cajas Rurales Unidas Group, as long as the terms and conditions are the same as those that apply to existing members.

- Resolution on the merger by absorption between Cajas Rurales Unidas, Sociedad Cooperativa de Credito y Caja Rural de Casinos, S. Coop. de Credito V., Credit Valencia Caja Rural, Cooperativa de Credito Valenciana and Caja Rural de Canarias, Sociedad Cooperativa de Credito.

- Appointment of shareholders and alternates to approve the minutes within fifteen days of the assembly, along with the Chairman.

On 28 November 2013 the Bank held an extraordinary General Assembly in which the following motions were unanimously passed, per the meeting agenda:

- Creation of the Banco de Credito Social Cooperativo, S.A with the participation of Cajas Rurales Unidas, Sociedad Cooperativa de Credito.

- Creation of a new cooperative group and integration of the entity in the group, signing the pertinent governing agreement; termination of the former Cooperativo Cajas Rurales Unidas Group, of which Cajas Rurales Unidas, Sociedad Cooperativa de Crédito is the parent company.
- Amendment of the Bank's by-laws which affects the following articles in Chapter II: 6, 28 and 37; First Additional Provision and First Transitory Provision.
- Composition, mandate and alternates of the governing body.
- Granting of powers to the bodies and persons within the organisation for the enforcement of the motions passed at the General Assembly.
- Appointment of shareholders and alternates to approve the minutes within fifteen days of the assembly, along with the Chairman.

B.4 Indicate the address and access to the corporate governance contents on the website.

The corporate governance contents can be accessed by clicking on "Information for shareholders, Corporate Governance Report", and "Information for Investors, Corporate Governance, Corporate Governance Report" (www.cajamar.es/es/comun/informacion-corporativa/informacion-para-inversores/gobierno-corporativo/informe-de-gobierno-corporativo/) on the Bank's wbsite: www.cajamar.es.

B.5 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.

C) MANAGEMENT STRUCTURE AT THE ENTITY

C.1 Board of Directors or Governing Body

C.1.1. Indicate the maximum and minimum number of directors or members of the governing body established in the by-laws.

Maximum number of Board members	15
Minimum number of Board members	12

C.1.2 Complete the following tables with the members of the board and their status:

MEMBERS OF THE BOARD OF DIRECTORS OR GOVERNING BODY

Name or business name of the Governing Board member	Representative	Date of last appointment
MR. JUAN DE LA CRUZ CARDENAS RODRIGUEZ		8-11-2012
MR. MANUEL YEBRA SOLA		8-11-2012
MR. ANTONIO LUQUE LUQUE		8-11-2012
MR. FRANCISCO LORENTE BROX		8-11-2012
MR. PASCUAL RICARDO CANDEL MARTINEZ		8-11-2012
MR. JERONIMO MOLINA HERRERA		8-11-2012
MR. FRANCISCO ELIAS GONGORA CANIZARES		8-11-2012
MR. LUIS ROBLEDO GRAU		8-11-2012
MRS. MARIA GADOR VILLALOBOS MEJIA		8-11-2012
MR. JUAN CARLOS RICO MATEO		8-11-2012
MR. FRANCISCO MARTINEZ-COSENTINO JUSTO		8-11-2012
MR. CARLOS PEDRO DE LA HIGUERA PEREZ		8-11-2012
MR. FRANCISCO JAVIER RAMIREZ ARCEO		8-11-2012
MRS. MARIA LUISA TRINIDAD GARCIA		8-11-2012
MR. GREGORIO SANCHEZ PRIETO		25-04-2013

C.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:

C.1.4. Complete the following table regarding the aggregated remuneration of the members of the governing body accrued over the last four years:

	Number of female directors							
	Financial year 2013		Financial year 2012		Financial year 2011		Financial year 2010	
	Number	%	Number	%	Number	%	Number	%
THE BOARD OF DIRECTORS	2	13.33%	2	14.28%	0	0.00%	0	0.00%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT COMMITTEE	1	16.66%	1	16.66%	0	0.00%	0	0.00%
NOMINATIONS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
INVESTMENT AND FINANCE COMMITTEE	1	16.66%	1	16.66%	0	0.00%	0	0.00%
RISK COMMITTEE	1	16.66%	2	33.33%	0	0.00%	0	0.00%
TURNOVER	0	0.00%	0	0.00%	0	0.00%	0	0.00%
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	2	33.33%	2	33.33%	0	0.00%	0	0.00%

C.1.5. Complete the following table regarding aggregate remuneration paid to the members of the governing body during the year:

Remuneration item	Thousand EUR	
	Individual	Group
Fixed	1,174	0
Bonuses	0	0
Per diems	448	0
Other compensation	14	0
Total:	1,636	0

C.1.6. List the members of senior management who are not executive directors and show the total compensation paid to them during the year:

Name or company name of	Title
MR. JOSÉ LUIS HEREDIA CELDRAN	Director, Commercial Banking
MR. BERNABE SANCHEZ MINGUET MARTINEZ	Corporate Managing Director
MR. ANTONIO DE PARELLADA DURAN	Director of Real Estate Investments
MR. RAFAEL GARCIA CRUZ	Director of Resources
MR. FRANCISCO JAVIER RODRIGUEZ JURADO	Director of Human Resources
MR. JESUS FERNANDO MARTINEZ USANO	Comptroller

Total senior management compensation (EUR'000)	2,642

C.1.7. 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	4

C.1.8. Indicate whether the individual and consolidated financial statements that are presented for board approval have been certified:

YES [ ] No [X]

If so, identify the person who has certified the company's individual and consolidated financial statements for board authorisation:

C.1.9. Detail whether the board of directors has established any mechanisms to ensure that the individual and consolidated financial statements authorised by it are presented to the Shareholders' Meeting without audit qualifications.

One of the duties of the Audit Committee is to maintain relationships with external auditors to 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

C.1.10. Is the secretary to the board or the governing body a voting director?

YES [X] No [ ]

C.1.11. Indicate whether there are established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.

1. Independence of the auditor

The Audit Committee verifies 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 is 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 revised version of the Audit Act, means that at that meeting the legal compliance of the auditing firm 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 analysts and that the banks are informed of all information that may be relevant to analyse Cajamar within a framework of independence.

The Financial Reporting Agents and Institutional Investments 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.

C.2 Committees appointed by the Board of Directors or Governing Body

C.2.1. List the governing bodies:

Name	Number of members	Functions
EXECUTIVE COMMITTEE	7	• The Executive Committee currently has all the authority of the governing body, except those that cannot be delegated according to law or by-laws.
CHIEF EXECUTIVE OFFICER	1	• The CEO also has all the authority of the governing body, except those that cannot be delegated in accordance with the law or the by-laws.
AUDIT COMMITTEE	6	• Reports to the General Meeting on the matters falling under its jurisdiction. • Proposes the appointment of external auditors to the governing body. • Monitors the financial reporting process and internal control systems. • Supervises the services of the internal auditor. • Maintains a relationship with the auditors. • Issues an annual report, prior to the issue of the audit report, expressing its opinion as to the auditors' independence.

NOMINATIONS AND COMPENSATION COMMITTEE	5	• Advises the governing body regarding appointments and removals of the Bank's Managing Director and those of other companies and subsidiaries. • Evaluates the suitability of key personnel other than managing directors and reports to the governing body • candidates for the position of director and CEO. • Proposes compensation for Directors • Establishes the general compensation system for employees and authorises the pertinent exceptions. • Establishes compensation for Managing Directors, as well as any severance indemnities that may be applicable. • Supervises and evaluate the operation of the compensation system and the incentives created to manage risk, capital and liquidity. • Establishes the principles for the internal and external dissemination of information regarding the compensation system and ensure compliance with those principles. • Issues an annual evaluation report on the compensation system.
INVESTMENT AND FINANCE COMMITTEE	6	• Examines the bank's handling of risk assumption, debt recovery, cash and capital markets, and shareholdings held by the entity, as well as the verification of information regarding asset management. • Analyses and reviews credit risk contracts and the development of the credit portfolio. • Proposes to the governing body the actions that deemed necessary in relation to the bank's general management strategies and reports any proposals made by the shareholders in relation to such matters.
RISK COMMITTEE	6	• Reports to the governing body on all relevant questions related to credit risk, market risk, interest rate risk, liquidity risk, operational risk and reputational risk. • Proposes amendments to the risk management policies and procedures as needed. • Stays apprised of the bank's policies, exposure to and effects of each one of the risks mentioned above.

BUSINESS COMMITTEE	6	• Supervises and monitors the Bank's Expansion Plan and reports to the Board on its progress. • Monitors the Commercial Objectives established for the Office Network. • Analyses the main figures recorded by the Entity with respect to the Office Network. • Controls and evaluates the most important aspects of Cajamar's business. • Makes proposals to the Governing Body regarding the Bank's cash management, general strategies, relationships withshareholders and customers and other aspects as needed falling with the scope of its authority. • Informs the Governing Body of the proposals made by shareholders with respect to the areas over which the Committee has authority.
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	6	• Establishes, promotes and informs all areas of the Bank of the corporate and ethical principles of Corporate Social Responsibility (hereinafter, CSR). • Evaluates all types of information, events or communications that affect the Bank's CSR. • Coordinates the actions and initiatives relating to the Bank's CSR. • Makes 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.

C. 2.2. Tthe Board of Directors committees and their members:

EXECUTIVE COMMITTEE

Name	Title
MR. JUAN DE LA CRUZ CARDENAS RODRIGUEZ	CHAIRMAN
MR. MANUEL YEBRA SOLA	DIRECTOR
MR. ANTONIO LUQUE LUQUE	DIRECTOR
MR. DON FRANCISCO LORENTE BROX	DIRECTOR
MR. PASCUAL RICARDO CANDEL MARTINEZ	SECRETARY
MR. JERONIMO MOLINA HERRERA	DIRECTOR
MR. CARLOS PEDRO DE LA HIGUERA PEREZ	DIRECTOR

AUDIT COMMITTEE

Name	Title
MR. FRANCISCO LORENTE BROX	CHAIRMAN
MR. JERONIMO MOLINA HERRERA	DIRECTOR
MR. FRANCISCO ELIAS GONGORA CANIZARES	DIRECTOR
MR. MARIA GADOR VILLALOBOS MEJIA	DIRECTOR
MR. CARLOS PEDRO DE LA HIGUERA PEREZ	DIRECTOR
MR. FRANCISCO JAVIER RAMIREZ ARCEO	DIRECTOR

NOMINATIONS AND COMPENSATION COMMITTEE

Name	Title
MR. FRANCISCO MARTINEZ-COSENTINO JUSTO	CHAIRMAN
MR. ANTONIO LUQUE LUQUE	DIRECTOR
MR. FRANCISCO LORENTE BROX	DIRECTOR
MR. JUAN CARLOS RICO MATEO	DIRECTOR
MR. CARLOS PEDRO DE LA HIGUERA PEREZ	DIRECTOR

INVESTMENT AND FINANCE COMMITTEE

Name	Title
MR. FRANCISCO ELIAS GONGORA CANIZARES	CHAIRMAN
MR. JUAN DE LA CRUZ CARDENAS RODRIGUEZ	DIRECTOR
MR. MANUEL YEBRA SOLA	DIRECTOR
MR. LUIS ROBLEDO GRAU	DIRECTOR
MRS. MARIA GADOR VILLALOBOS MEJIA	DIRECTOR
MR. FRANCISCO JAVIER RODRIGUEZ JURADO	DIRECTOR

RISK COMMITTEE

Name	Title
MR. JUAN DE LA CRUZ CARDENAS RODRIGUEZ	CHAIRMAN
MR. MANUEL YEBRA SOLA	DIRECTOR
MR. PASCUAL RICARDO CANDEL MARTINEZ	DIRECTOR
MRS. MARIA GADOR VILLALOBOS MEJIA	DIRECTOR
MR. JUAN CARLOS RICO MATEO	DIRECTOR
MR. FRANCISCO MARTINEZ-COSENTINO JUSTO	DIRECTOR

BUSINESS COMMITTEE

Name	Title
MR. ANTONIO LUQUE LUQUE	CHAIRMAN
MR. FRANCISCO ELIAS GONGORA CANIZARES	DIRECTOR
MR. LUIS ROBLEDO GRAU	DIRECTOR
MR. JUAN CARLOS RICO MATEO	DIRECTOR
MR. FRANCISCO MARTINEZ-COSENTINO JUSTO	DIRECTOR
MR. FRANCISCO JAVIER RODRIGUEZ JURADO	DIRECTOR

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Title
MR. JERONIMO MOLINA HERRERA	CHAIRMAN
MR. PASCUAL RICARDO CANDEL MARTINEZ	DIRECTOR
MR. LUIS ROBLEDO GRAU	DIRECTOR
MRS. MARIA GADOR VILLALOBOS MEJIA	DIRECTOR
MR. GREGORIO SANCHEZ PRIETO	DIRECTOR
MRS. MARIA LUISA TRINIDAD GARCIA	DIRECTOR

C.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.

See section C.2.1. for a description of the responsibilities of the different board committees and members of the governing body.

The rules of organisation and procedure are as follows:

EXECUTIVE COMMITTEE

The Executive Committee shall meet at least once a month, with the place, date and time to be established by the committee itself. It shall be validly constituted when the meeting is attended by more than half of its members who may not be represented;

Other people whose presence and contributions are considered of interest to the Entity may be invited to attend, without voting rights.

Resolutions shall be adopted by more than half of the votes validly cast of the members present and the Chairman shall cast the deciding vote in the event of a draw.

For each meeting minutes shall be drawn up by the Secretary. Once approved, the minutes are recorded in the Minutes Book.

AUDIT COMMITTEE

The Chairman of the Audit Committee will be designated from among the non-executive Directors and must be replaced every four years and may be re-elected after one year after leaving the post.

The non-member Secretary will have a voice but no vote.

The Audit Committee will be called by the Chairman by letter, fax, telegram or email at least three days in advance, including the meeting agenda and any accompanying documentation that may be necessary.

When, in the opinion of the Chairman, there are justifiable reasons for doing so, the Committee may be convened by telephone, in which case the advance notice and other requirements referred to above will not apply.

The members of the Committee may request all supplementary information that they consider advisable.

The Committee will be validly convened when at least one-half plus one of the members are present. 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 shall be passed by absolute majority of the Directors in attendance. In the event of a tie, the Chairman will cast the deciding vote.

The Committee will prepare minutes for its meetings and will keep the Board apprised of all matters discussed.

OTHER BOARD COMMITTEES:

a) Appointment of Committee members

The members of the Committee shall be designated from those directors that have the experience, knowledge and the most appropriate personal situation to become a Committee member.

b) Term of office

The Directors will hold their seats on the Committee as long as they are members of the Governing Body, in the manner indicated by the Entity's by-laws.

c) Non-exclusive nature of the post

Committee membership is non-exclusive and its members may sit on other Committees that the Governing Body may decide to create with respect to the matters for which it is responsible.

d) Committee meetings

The Committee should prepare an annual schedule of ordinary meetings and will generally meet as convened by the Chairman as often as is deemed necessary for the Bank's smooth operation and in any event at least three times a year.

e) Annual report and action plan

The Committee will prepare an annual report of its activities and an action plan for the following year, which will be reported to the governing body.

C.2.4. Indicate the number of Audit Committee meetings held in the year:

Number of meetings	5

C.2.5. If there is a Nominations and Compensation Committee, state whether all of its members are external directors or members of the governing body.

YES [X] No [ ]

D) RELATED PARTY TRANSACTIONS

D.1 List any transactions between the bank or members of its group and the shareholders, participating members, holders of proprietary rights or any other type of related party.

D.2 List any transactions between the bank or members of its group and the directors, officers or members of the governing body.

D.3 List any transactions between group companies.

D.4 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the entity and/or the group and its directors, executives or members of the governing body.

- The by-laws exclude the right to vote in the General Assembly when there is a conflict of interest.

  Such a conflict of interest is deemed to exist in the following cases:

  a) Votes regarding actions 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 specifically included in the previous two sections but are included in the Capital Companies Act.

  As attendees at the general assembly, directors are bound by these rules.

- With respect to conflicts of interest within the Governing Body, the by-laws stipulate as follows:

  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 Law 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, advisers or members with a shareholding equal to or exceeding 5%.

Any of the situations established in Article 29, number 4, or any other section, of these by-laws exists - precautionary suspension from duties of those directors or controllers who have not met the loyalty, dedication and discretion requirements demanded of these positions.

e) Any other conflict of interest situation established in the Capital Companies Act or any other applicable law.

When there is a conflict of interest, the affected director(s) must abstain from voting on matters involving the conflict.

In addition, according to the rules governing credit cooperatives, these votes on conflicts of interest will require the favourable vote of two-thirds of the directors and the governing body's deliberations and resolutions will be secret.

Similarly, the Internal Rules of Operation stipulate that Directors must immediately report to the governing body any direct or indirect situation of conflict between themselves or the persons related to them and the company's interests. The affected director must abstain from resolutions or decisions relative to the operation to which the conflict refers.

Directors must report with respect to themselves and persons related to them (a) any direct or indirect interest that they may hold, and (b) the positions or functions carried out in any company which is in a situation where it effectively competes with the Entity.

The conflicts of interest described above shall be subject to disclosure in the notes to the accounts and in the corporate reports in the manner envisaged in the law and the bylaws.

E) RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System.

Risk management is an integral and ongoing function that covers all sectors and all geographical areas where the Bank operates. As described in the sections below, the risk control policies and procedures are specially adapted to the type of risk and are independent from the time or place in which the exposure to the risk takes place.

E.2 Identify the corporate bodies responsible for preparing and implementing the Risk Management System.

Risk management is one of the pillars of all credit institutions and in the case of Cajas Rurales Unidas, Sociedad Cooperativa de Credit it is something in which the entity's highest governing bodies are personally involved: Board of Directors and Delegate Committees: the Bank's senior management and a good part of the personnel structure dedicate their efforts to risk management.

In particular, credit risk is managed according to the principles, rules and procedures contained in the manual approved by the governing body which are structured around the principles of delegation, uniformity, independence, homogeneity and globality. Based on these principles, credit risk is managed at different levels depending on the characteristics of the risk and the established procedures. Branch offices, business committees, analysis committees, investment committees and even the executive committee are all involved in risk management.

There is also a manual approved by the governing body on how to manage market, liquidity and interest rate risk. In this case, the areas in charge of risk management are the departments under the jurisdiction of Corporate Investments and the Assets and Liabilities Committee.

On the subject of risk control the Bank is characterised by a high level of functional independence, as can be seen in the existence of a Comptroller's office that reports to the governing body and which oversees the Global Risk Control and Regulatory Compliance divisions, whose functions are described below. In addition to these, there are multiple executive departments within the Entity with their own controls in place.

1. Global Risk Control

Functions:

- Proposes segmentation criteria for credit portfolio.
- Proposes internal limits on risk exposure.
- Oversees compliance with established risk limits.
- Analyses exposure to credit, price, interest, liquidity and operating risks.
- Coordinates capital self-evaluation process.
- Establishes methodologies for measuring credit, price and operating risks.

2. Regulatory compliance

Functions:

- Proposes and evaluates policies and procedures for ensuring legal, regulatory or administrative compliance in order to regulate:
  - Measures to prevent money laundering and terrorism financing.
  - Codes of conduct, particularly with regard to the stock market, to prevent abusive market practices.
  - Operational transparency and customer protection in relation to banking operations, investment service, insurance products and pension plans and funds.
  - Protection of personal data.
  - Director, officers and employee compensation.
  - Corporate governance.
- Acts as liaison between supervisory bodies and legitimate third parties in matters falling under its jurisdiction.

3. Internal Audit

Functions:

- Proposes an annual audit plan to the Audit Committee.
- Oversees the execution of the annual audit plan, assigning and supervising the work.
- Supervises the auditors' recommendations following their audits.
- Reports to the Audit Committee on:
  - The results of the work and the controls performed and the decisions taken.
  - The recommendations for mitigating risks.
- Adapts audit procedures to the existing operating structure.
- Coordinates the activities of the supervisory bodies.
- Coordinate the external audit activities.

E.3 Indicate the main risks that can affect the achievement of the business objectives

The Bank 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.

1. Credit Risk

Credit risk, broadly understood as the possibility of incurring losses due to borrower default, is the main risk to which the Bank is exposed based on its nature and business model. It is a well-known, characterised and quantified risk which is addressed by the regulations applicable to credit institutions and by the Bank itself. For better management and control, the Bank has a Credit Risk Manual approved by the governing body.

2. Interest rate and liquidity risk

Liquidity and interest rate risk are inherent to the banking industry, since the essence of banking is the transformation of interest rate deadlines and structures from liability operations to asset operations. For better management of these risks, there is a manual approved by the governing body whose most relevant aspects

3. Non-compliance Risk

To deal with this risk which is inherent to the banking industry, the Bank has different manuals and procedures that address money laundering and terrorism financing, personal data protection, customer complaints, codes of conduct for stock markets and compliance with regulations and good practices in the area of operating transparency and customer protections.

The general principles that inspire the execution of the Bank's regulatory compliance function are responsibility (the Bank's governing body is responsible for supervising the management of the Bank's non-compliance risk and senior management is responsible for the effective management of the regulatory compliance risk) and independence (the regulatory compliance function has a formal status within the Bank's organisation; the staff who work in the regulatory compliance are and especially the director are in a situations where there can be no conflicts of interest and they have access to the information and personnel needed to perform their functions).

4. Operating risk

The general approach to operational risk, which is characterised by low tolerance and is clearly documented in the manual, is expressed in the principles of unity of policies and processes, global management and control of operational risk, transparency, internal communications and adaptation to change. The Bank's operational risk management and control is based on:

- Identifying, analysing and recording events.
- Preventing and mitigating exposure.
- Availability of business continuation plans.
- Ongoing risk monitoring.

5. Market and Exchange Risks

For these risks the Bank has a Market Risk Manual approved by the governing body, the basic principle of which is that the exposure to market and exchange risk must never be speculative, this being understood as trying to take advantage of price fluctuations in the short term. Consequently, the exposure to these risks is moderate and non-speculative.

E.4 State whether the entity has a risk tolerance level.

The Bank has not defined a specific risk tolerance level; however, the entire organisation takes a prudent approach to risk which is consistent with a low tolerance to risk.

The basic principles of the Bank's risk management policies are in keeping with a moderate risk profile that is management 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) every effort is made to consistently comply with the law and best practices in relation to stakeholders (v) operational losses are low and relate mostly to small operations; and (vi) market risk exposure is moderate and instrumental, since financial instrument trading portfolios are prohibited.

E.5 State whether any of these risks have materialized during the year.

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 operate normally and there are no distortions in the application of the procedures established for this purpose.

E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity.

The Bank has different tools in place to anticipate and take a proactive stance to risk, as mentioned above. Hence, resuming what has been addressed in previous sections, a prudent and professional approach to risk management includes (i) the existence of mechanisms for measuring and controlling exposure to main risks (credit, interest rate, exchange rate, market, operational); (ii) the role of control unites, independently of management units, to monitor exposure to different risks; (iii) the involvement of executive management and governing bodies in risk management and control and (iv) the existence of contingency plans in those cases where it is warranted according to banking practice.

F) INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO FINANCIAL REPORTING (FRICS)

Describe the main characteristics of the internal control and risk management systems with regard to financial reporting (FRICS).

F.1 Control environment

Describe the main characteristics of:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) implementation; (iii) supervision.

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 market, being fully involved in the development of FRICS.

The Audit Committee is responsible for the supervision of the proper functioning of the FRICS. Among its competencies we find the following:

- Supervising the effectiveness of the internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:

  - Verifying the adequacy and integrity of the internal control systems.
  - Supervising the preparation and the integrity of financial information relating to the Company and Group, reviewing compliance with legislative requirements and the proper application of accounting standards.
  - Regularly reviewing the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.

- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

The Board of Directors is charged with designing and implementing FRICS through the Directorate of General Supervision and Control; implementing the necessary measures for proper functioning of FRICS.

F.1.2. In particular, with regard to the process for preparing financing information, whether there are:

- Departments and/or mechanisms are responsible for (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for distributing them.

  The governing body, through the Managing Director, is responsible for designing the organizational structure in order to assign functions and resources as efficiently as possible. The Corporate Audit Department is responsible for ensuring that the organizational structure meets the demands of FRICS and for directing the process of exploiting the financial information, guaranteeing that it is correctly distributed to the markets.

  The operating procedure manuals with their corresponding tasks; which are available to all Group employees through the Bank's intranet includes the organizational structure, clearing defining the corporate areas and the people responsible for them.

The process of preparing financial information is overseen by Corporate Financial Management and Reporting, in collaboration with the Corporate Accounting and Tax Department. These units are responsible for the Bank's financial information and for consolidating the Group's accounting consolidation process, with clearly delimited functions and responsibilities, separating the preparation and reporting of financial information from control. Specifically, their mission is to design, evaluate and direct the accounting and internal control system, as well as the Group's management information systems in order to guarantee the sufficiency, consistency and operation of accounting processes and that the financial statements are prepared and reported in a timely manner.

- Code of conduct, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analysing non-compliance and proposing corrective/disciplinary actions.

The Bank has a Code of Conduct approved by the governing body containing a compendium of ethical principles and values intended to guide the conduct of employees, managers and members of the Bank's governing body. In particular, there is a specific section on financial information and recording operations.

The Code covers aspects such as professional conduct which must be guided by legality, loyalty and good faith, personal dignity, non-discrimination, confidentiality, integrity, transparency, objectivity, responsibility, efficiency, quality, professionalism, security and environmental protection.

This document is available on the Bank's website and intranet. The Corporate Regulatory Compliance department is responsible for updating it, publishing it and making it available to the people affected by it, as well as promoting and coordinating the necessary training activities in collaboration with Corporate Human Resources.

It is also the responsibility of the Corporate Regulatory Compliance department along with Corporate Audit to enforce compliance with the Code, handle cases of non-compliance and propose the pertinent corrective measures and penalties to the Control Committee.

The contents of the Code were revised and updated at the end of 2013 and it was distributed to all employees on the intranet. The design of the training plan and formal subscription phase is now underway.

- There is a system in place for employees to report financial or accounting irregularities to the Audit Committee, as well as breaches of the Code of Conduct and irregular activities within the organisation.

The Bank offers a means for employees to confidentially report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to the Audit Committee.

The reports are channelled through an email that is accessible to all Group employees. Internal Audit is responsible for processing the reports received and is under the obligation to guarantee the confidentiality of the information.

- Periodic training and refresher courses are offered to the people involved in preparing and reviewing financial information, as well as evaluating FRICS. These courses touch on accounting standards, internal audit and control and risk management.

  The Bank has a Financial Education School which is committed to the organisation's social responsibility and the professional development of its employees with a view to reinforcing their financial education and guaranteeing that they are qualified to advise customers.

  There is also an Annual Training Plan that contains the courses to be offered to the Branch Offices and Central Service. Specifically, there are certain mandatory internal training courses that cover the following topics: Abusive market practices, prevention of money laundering, personal data protection, insurance laws, MIFID and occupational risk prevention. The courses are offered by Central Services personnel and all employees involved in the preparation of financial information, in addition to the above courses classified as mandatory, may receive special accounting-financial training at the request of their area directors.

  Special training is offered to the employees in charge of generating the Bank's financial information. In 2013, the course offered and the number of attendees were as follows:

  - External course on the "Cognos Controller" consolidation tool which was attended by 6 people.
  - Internal course on solvency concepts which was attended by 6 people.
  - Internal course on consolidation concepts which was attended by 6 people.
  - External course on counterparty risk and CVAs applied to solvency which was attended by 1 person.
  - External course on changes in solvency brought about by BASEL III (CRD IV-RR), which was attended by 5 people.
  - Internal course on the OBIEE tool and report-generation modelling was attended by 4 people.

F.2 Risk assessment in financial reporting

Report on the following:

F.2.1. State the principle characteristics of the risk identification process, including the risks of error or fraud, in terms of

- Whether the process exists and is documented.

  The Bank has developed a tool for the identification of the material areas and the relevant processes, which takes into account the risk of error and fraud that could significantly affect the Group's financial information.

- Whether the process covers all of the objectives of financial reporting (existence and occurrence; integrity; assessment; presentation, disclosure and comparability; and rights and obligations) and whether it is updated and how frequently.

  The tool was designed taking all of the objectives of financial reporting contained in the *Internal Control Document on Financial Reporting for Listed Entities* issued by the CNMV into account (existence and occurrence, integrity, assessment, presentation, disclosure and comparability, rights and obligations).

  Whether the criteria for all types of risk to be identified that are included in the design of the tool are both quantitative and qualitative. Apart from considering the identification of fraud and error risk affecting published financial information, it also takes into account the effects of other types of risks, such as operational, technological, financial, legal, reputational or environmental risks.

  The process of identifying the material areas and relevant processes takes place at least once a year using the most recent financial information Risk assessments are also conducted when circumstances arise that had not been identified previously and which reveal possible errors in the financial information or when there are significant operational changes that could give rise to new risks, including situations involving changes in the Group's structure such as changes in the consolidated companies or business lines or other relevant events.

- The existence of a process for identifying the scope of consolidation, taking into account the possible existence of complex business structures, instrumental entities or special purpose vehicles, among other aspects.

  The Bank has a procedure in place for updating and validating the scope of consolidation that is overseen by the Business Participation Unit. A form is sent to each investee to be filled out with the information needed to determine the consolidation scope and process.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

  As explained above, the process does take into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

- Which governing body supervises the process.

  Any serious risks that are identified, including those related to financial information, are reported to the Audit Committee and the Governing Body's Risk Committee.

F.3 Control activities

State whether the following exists and, if so, describe the main characteristics:

F.3.1. Procedures for reviewing and authorising financial information and description of the FRICS to be reported to the stock markets, and persons responsible for the documentation that describes the activity flows and controls (including those relative to the risk of fraud) of the different types of transactions that can have a material effect on the financial statements, including closing procedures and special reviews of the most relevant judgments.

In relation to the specific control activities which are implemented for the purpose of mitigating the risk arising from possible errors, inaccuracies or irregularities in the financial information, the Bank has a list of manuals, procedures and accounting policies which are constantly being developed and updated, along with revision and control processes that include:

- Consolidated Financial Statements closing procedure. The Group has specific procedures for closing balances sheets, which is the responsibility of the Financial Reporting and Management Unit.

- The general technological controls established by the Group at the IT Department, physical security, logical security, maintenance and development levels.

  The controls in place for the preparation of consolidated financial information are based on i) the controls contained in the tool used to reconcile the information received ii) controls of the information provided by Group companies and consolidation adjustments iii) controls of temporary differences.

  In addition, the financial statements are validated by correlational controls defined by the Bank of Spain to ensure the consistence of the information. These controls are executed by the tools used for reporting to the Bank of Spain.

- The process for issuing relevant judgments, estimates, assessments and forecasts relative to goodwill, the useful lives of tangible and intangible assets, the value of certain financial (non-liquid) assets, impairment losses on tangible and intangible assets, the value of awarded assets which are reviewed and controlled by the Accounting and Fiscal Control Department.

The Bank has an action plan for generating formal, standardised documentation for the areas and processes identified as relevant within the Group and which includes processes such as year-end close and consolidation and making relevant judgments, estimates and forecasts, among others.

The Bank has a review and authorisation procedure in place for the financial information reported to the markets, the frequency of which is determined by law and which is prepared by the Corporate Financial Information area under the supervision of the Accounting and Fiscal Control area.

The Audit Committee is also involved in the review process, reporting its conclusions on the financial information as presented to the governing body. This is based on the external auditor's review and the different reviews conducted by Internal Audit to evaluate the adequacy of the different controls on the generation of financial information (as indicated in section F.5.1 below). Ultimately, the General Assembly is responsible for approved the governing body's performance each year along with the balance sheet, income statement and the application of any funds available for distribution.

The description of FRICS is reviewed not only by the Corporate Accounting and Control Area and the Internal Audit Area but also by the governing bodies mentioned above as part of the information reported to the markets periodically.

F.3.2. Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the entity's relevant processes in relation to the preparation and publication of financial information.

The IT Unit is responsible for supporting and maintaining the operations, communications and data management systems, one of its main functions being the study of the systems and standards that make it possible to guarantee the correct level of data and program protection and recovery, ensuring compliance with the regulations and the legally required security measures. As for the IT Security Unit, it is responsible for proposing the data security measures and for application policies. These measures include the existence of adequate access control to applications and systems for adequate role segregation.

The Bank has an application development standard that complies with CMMi. This regulation allows the IT systems that are developed to work as intended. This, in turn, minimizes the possibility of error in the process of generating the financial information.

The Group has a Disaster Recovery Plan for the areas involved in the CNMV reporting process. The Plans covers the parent company's information systems where the financial reporting information is prepared.

Finally, the Group has a backup policy that ensures that a daily a backup copy is made of critical environments.

F.3.3. 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 uses the services of independent third parties to obtain certain valuations, calculations and estimations used to generate the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculations and asset appraisals and valuations.

There is currently a supervision and review procedure in place that looks at the activities outsourced to third parties and the calculations of independent experts that material to the process of generating financial information. These are in the process of being reviewed and formalised within the framework of the definition of FRICS so as to ensure that they comply with financial reporting specifications and best market practices.

More specifically, the procedures that are in the process of being developed deal with the following aspects:

- Formal designation of the people responsible for different activities.

- Prior analysis of outsourcing, with a formal procedure in place that is triggered when the need arises to outsource a service or engage the services of an independent expert. The process analyses the different proposals and defines the people responsible for approval the contractual relationship.

- Supervision and review of the information generated or the service rendered:

    - For outsourced activities: requests for periodic reports, inclusion in internal audit plans; obligation for third party auditing; periodic review of external expert's qualifications and accreditation. In those cases where the outsourced service can have a relevant impact on the financial information, reports may be requested from independent third parties on the control activities carried out by the company rendering the service.

    - For the evaluations of external experts: review of the validity of the information provided; periodic review of the experts qualifications and accreditation.

F.4 Reporting and communications

State whether the following exists and, if so, describe the main characteristics:

F.4.1. A specific function responsible for defining accounting policies and keeping them up to date (accounting policy area or department) and resolving questions or conflicts arising from their interpretation, keeping the lines of communication open with the people responsible for operations within the organisation as well as a manual of accounting policies that is kept up to date and distributed to the entity's operating units.

The Regulatory Compliance Unit is responsible for informing the affected departments of changes to the regulations as they occur. It is the accounting and fiscal control unit responsible for setting and interpreting the Bank's accounting policies.

In any event, the accounting policies are updated whenever there is a regulatory change that requires and whenever there is a new decision that could impact them, but only in those cases where there is a certain amount of flexibility.

To perform this function the director of the unit stays abreast at all times of the legislative changes that are about to take place through the circulars and bulletins issued by the UNACC, the technical reports issued by experts in the field and by reviewing the changes published by the CNMV and in the BOE and ICAS on a daily basis. Regulatory changes are studied and analysed to determine their impact on the entity and external experts are consulted as needed, communicating these changes and proposing the necessary actions.

The Director of the Accounting and Fiscal Control Area is responsible for answering any questions or settling conflicts regarding the interpretation of accounting policies, keepings the lines of communication open with the different areas of the parent company and Group subsidiaries involved in preparing financial information.

The Entity does not have a single Manual of Accounting Policies. Rather, the universe of accounting policies 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, all of which are available on the Entity's intranet, where all updates are announced.

The Group's subsidiaries and affiliates draft their own accounting procedures and policies in a decentralized way; however, they must necessarily meet the requirements of the standards and guidelines issued by the Director of Accounting and Fiscal Control, which oversees them.

It should be noted that the subsidiaries and affiliates prepare their own financial information based on format previously agreed with the parent so that the format of the financial statements is as homogeneous as possible, which in turn facilitates the preparation of the Group's consolidated information. Because of this, they must comply with the accounting standards and principles issued by the Director of Accounting and Fiscal Control.

F.4.2. Mechanisms for gathering and preparing standardised financial information that apply to and are used by all business units and that support the primary financial statements and notes to the financial statements, as well as detailed information on FRICS.

The Entity has applications and IT systems for aggregating and standardising the individual accounting performed by the Group's areas and subsidiaries, with the necessary level of breakdown and the ability to generate the necessary individual and consolidated financial statements and other financial information published in the markets.
The parent company's accounting information comes essentially from the Financial Server, where the information originating in the different applications of each business area is uploaded daily.

Each subsidiary is responsible for its own accounting using the established systems and for reporting the accounting information in keeping with the General Chart of Accounts format. They are, therefore, responsible for preparing their own financial statements under the supervision of the Accounting and Fiscal Control Unit.

The Financial Reporting and Management Unit is responsible for aggregating, standardising and reporting the information using common systems and applications. This Unit uses the "COGNOS Controller" application for automatic consolidation processes.

The affiliates' information is uploaded in the SGP application and the Financial Reporting and Management units is responsible for importing the information and uploading it to Cognos Controller (consolidations application).

F.5 Supervision of systems operations

Describe the main characteristics of:

F.5.1. An internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the FRICS evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports his or her findings, and whether the entity has an action plan with the corrective measures referred to in the evaluation, considering the impact on the financial information

The Internal Audit area periodically presents to the Audit Committee the results of its verification and validation work along with the associated action plans. The procedure is the same for the work performed by the external auditors or any other independent expert.

The minutes of the Audit Committee meetings contain evidence of the Committee's supervisory function, in terms of planning (approval of annual operating plan, appointment of people responsible for executing the plan, among other things) and the review of the results obtained.

The internal audit function lies with the Entity's Audit Department, which depends functionally on the Audit Committee.

The Audit Committee relies on Internal Audit to undertake the supervision of the Internal Control System and FRICS. The functions of Internal Audit are to conduct scheduled reviews of the risk control systems in place, the internal operating procedures and internal and external regulatory compliance.

The Group's Internal Audit area prepares an annual audit plan which is approved by the Audit Committee. The audit plan is prepared with the objective of reviewing the Entity's critical risks.

The Audit plan includes the revision of key areas of the financial statements as well as key controls of these areas. The general controls of reporting systems are also reviewed.

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. The Internal Audit area tracks compliance with these actions plans.

F.5.2. State whether there is a discussion procedure whereby the auditor (pursuant to the terms of NTA), the internal audit area and/or other experts are able to report any serious weaknesses found in the internal control system while reviewing the annual accounts or performing other tasks. Also, state whether there is an action plan for correcting or mitigating any weaknesses encountered.

The Audit Committee meets with the external auditors at least two or three times a year previous to the formulation of the Annual Accounts and to present the most important results of their work.

It is the responsibility of the Audit Committee, in accordance with the Company By-laws, (Article 41.4e) as well as point 3.5 of the Regulations, to discuss with the external auditor all audit-related issues and any other communications foreseen in auditing laws and technical Auditing standards. It will also act as a liaison between the external Auditor and the Governing Body.

The cited regulation also states that the Audit Committee may be aided by independent experts as needed (art. 12)

Article 8 of the Audit Committee Rules specify that the Committee will meet on an ordinary basis at least 5 times a year. In each of these sessions, the Director of Internal Audit explains the conclusions of its work, informing the Committee of the weaknesses detected as well as the action plans proposed by the different areas to address this weaknesses.

F.6 Other relevant information

F.7 External Auditor's Report

Report on:

F.7.1. Whether the FRICS information reported to the markets is reviewed by an external auditor, in which case the entity should include the auditor's report. Otherwise, a reason should be given for not having done so.

Certain aspects of FRICS are in the process of being formalised in the implementation plan and they are expected to be finished in 2014. For this reason, the Bank has decided not to submit FRICS to the external auditor for review.

The Bank will evaluate whether or not to submit the FRICS information released to the market in 2014 to the external auditors for review.

G) OTHER INFORMATION OF INTEREST

If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.

Please also include any additional information or clarifications relative to the preceding sections of the report, to the extent that they are relevant and non-repetitive.

In particular, please indicate whether the company's corporate governance is bound by any law other than Spanish law and, if so, indicate any information the company is obligated to submit which is not covered in this report.

The company should also indicate whether it voluntarily adheres to other codes of ethics or good practices at the international or other levels and, if so, state the name of the code and the date of accession.

- Clarifying of parts A.1, A.2 and A.3

These sections were note completed because they do not apply to the Bank. There is no significant shareholder or any with a "notable influence" (which entails the possibility of appointing or removing a member of the Bank's governing body or proposing the appointment or removal of a member of the Bank's governing body).

- Clarification of part C.1.2

With the exception of Mr. Juan de la Cruz Cardenas Rodriguez (Chairman), Mr. Manuel Yebra Sola (1st Vice President and Managing Director) and Mr. Gregorio Sanchez Prieto (Labour Director), all executive directors, the rest of the directors are considered external for the following reasons:

- They do not perform executive management functions and they are not employees of the Bank or its group.
- They do not control significant shares in the Banks (see previous note).
- They have not been designated as independent or proposed for appointment as such by the Appointment and Compensation Committee.

- Clarification of part C.1.4

The Bank did not exist in 2010 or 2011.

- Clarification of part C.1.6

The total compensation paid to executive management is included in the insurance premiums on pension commitments in the amount of €1,377,000 which are deferred for 9 years.

- Clarification of parts D.1, D.2 and D.3

These sections were not completed due to the fact that in 2013 there were no operations that must be reported under Order EHA/3050/2004 of 15 September on related party transactions that must be reported by companies that issue stocks traded on official secondary markets.

- The Company is not bound by any laws other than Spanish law.

This Annual Corporate Governance Report was approved by the Board of Directors at the session held on 31 March 2014.

Indicate any directors or members of the governing body who voted against or abstained from approving this Report.