GRUPO COOPERATIVO CAJAMAR

Auditor's Report and Consolidated Annual Accounts

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A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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

We have audited the consolidated annual accounts of Cajamar Caja Rural, Sociedad Cooperativa de Crédito (the Head Entity) and entities forming Grupo Cooperativo Cajamar (the Group), consisting of the consolidated balance sheet at 31 December 2010, 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 applicable to the Group (as identified in Note 2 to the accompanying consolidated annual accounts), and in particular, with the accounting principles and criteria included therein. 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.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated financial position of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and entities forming Grupo Cooperativo Cajamar at 31 December 2010 and the consolidated results of its operations and consolidated cash flows for the year then ended, in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

The accompanying consolidated directors' report for 2010 contains the explanations which the Parent Company's Directors consider appropriate regarding the situation of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and entities forming Grupo Cooperativo Cajamar, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' report is in agreement with that of the consolidated annual accounts for 2010. Our work as auditors is limited to checking the consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and entities forming Grupo Cooperativo Cajamar.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Fco. Javier Astiz Fernández
Partner

12 April 2011

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GRUPO COOPERATIVO CAJAMAR

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

Consolidated Annual Accounts and Consolidated Management Report

Year 2010

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR
Consolidated balance sheets as at 31 December 2010 and 2009

Assets	Thousands of euros	
	2010	2009*
Cash and balances with central banks	**208,716**	**443,759**
Financial liabilities held for trading	**9,466**	**4,120**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Equity instruments	-	-
Trading derivatives	9,466	4,120
Memorandum item: Loaned or advanced as collateral	-	-
Other financial assets at fair value through profit or loss	**26,148**	**20,658**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	24,513	20,658
Debt securities	1,635	-
Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	*1,463*	-
Available-for-sale financial assets	**1,709,500**	**431,492**
Debt securities	1,566,240	305,189
Equity instruments	143,260	126,303
Memorandum item: Loaned or advanced as collateral	*161,722*	-
Loans and receivables	**25,877,629**	**25,399,588**
Loans and advances to credit institutions	895,279	1,232,264
Loans and advances to other debtors	24,982,350	24,164,727
Debt securities	-	2,597
Memorandum item: Loaned or advanced as collateral	*11,313,740*	*10,723,366*
Held-to-maturity investments	**137,449**	**26,813**
Memorandum item: Loaned or advanced as collateral	*91,396*	-
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**127,979**	**83,910**
Non-current assets held for sale	**107,630**	**67,238**
Investments	**61,272**	**55,938**
Associates	61,272	55,938
Jointly controlled entities	-	-
Insurance contracts linked to pensions	**-**	**-**
Reinsurance assets	**-**	**-**
Tangible assets	**608,076**	**522,239**
Tangible fixed assets	462,584	424,569
For own use	*460,404*	*421,034*
Leased out under an operating lease	-	-
Assigned to the Education and Development Fund	*2,180*	*3,535*
Investment properties	*145,492*	*97,670*
Memorandum item: Acquired under a finance lease	-	-
Intangible assets	**40,426**	**40,706**
Goodwill	-	825
Other intangible assets	40,426	39,881
Tax assets	**157,157**	**129,811**
Current	11,824	16,026
Deferred	145,333	113,785
Other assets	**738,020**	**435,809**
Inventories	660,029	386,498
Other	77,991	49,311
TOTAL ASSETS	**29,809,468**	**27,662,081**

(*) Figures restated in accordance with the matters indicated in Note 2.1.

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR
Consolidated balance sheets as at 31 December 2010 and 2009

Liabilities

	Thousands of euros	
	2010	2009*
Financial liabilities held for trading	**836**	**511**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates including bonds	-	-
Trading derivatives	836	511
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	**26,999,726**	**24,991,717**
Deposits from central banks	400,100	902,806
Deposits from credit institutions	1,224,778	745,915
Deposits from other creditors	21,714,284	20,313,877
Debt certificates including bonds	3,315,595	2,583,198
Subordinated liabilities	160,117	298,235
Other financial liabilities	184,852	147,686
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives	**16,368**	**2,425**
Liabilities associated with non-current assets held for sale	**-**	**-**
Liabilities under insurance contract	**-**	**-**
Provisions	**45,222**	**85,979**
Provisions for pensions and similar obligations	26,925	19,958
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	5,076	11,593
Other provisions	13,221	54,428
Tax liabilities	**55,361**	**52,428**
Current	14,095	2,771
Deferred	41,266	49,657
Education and Development Fund	**4,275**	**5,539**
Other liabilities	**182,151**	**154,655**
Capital having the nature of a financial liability	**181,248**	**173,904**
TOTAL LIABILITIES	**27,485,187**	**25,467,158**

(*) Figures restated in accordance with the matters indicated in Note 2.1.

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR
Consolidated balance sheets as at 31 December 2010 and 2009

Equity

	Thousands of euros	
	2010	2009*
Own funds	**2,335,009**	**2,197,970**
Capital or endowment fund	1,038,910	958,465
Issued	1,038,910	958,465
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves:		
Accumulated reserves (losses)	1,246,945	1,208,685
Reserves (losses) in entities accounted for by the equity method	13,652	(3,764)
Associates	13,652	(3,764)
Jointly controlled entities	-	-
Other equity instruments	31,831	-
Equity component of compound financial instruments	-	-
Non-voting equity units and associated funds	-	-
Other equity instruments	31,831	-
Less: Dividends and remuneration	-	-
Profit for the period attributed to parent	35,815	65,747
Less: Dividends and remuneration	*(32,144)*	*(31,163)*
Valuation adjustments	**(22,194)**	**(3,046)**
Available-for-sale financial assets	(21,128)	(2,181)
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	(1,066)	(865)
Other valuation adjustments	-	-
Minority interest	**11,466**	**(1)**
TOTAL EQUITY	**2,324,281**	**2,194,923**
TOTAL LIABILITIES AND EQUITY	**29,809,468**	**27,662,081**

(*) Figures restated in accordance with the matters indicated in Note 2.1.

Memorandum Accounts

	Thousands of euros	
	2010	2009*
MEMORANDUM ITEM		
Contingent exposures	**744,457**	**738,650**
Contingent commitments	**2,043,935**	**1,766,733**
TOTAL MEMORANDUM ACCOUNTS	**2,788,392**	**2,505,383**

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR
Consolidated income statements for the years ended 31 December 2010 and 2009

Consolidated Income Statements

	Thousands of euros	
	2010	2009
Interest and similar income	**917,334**	**1,116,315**
Interest expense and similar charges	**(486,202)**	**(566,906)**
Remuneration of capital having the nature of a financial liability	**(5,428)**	**(5,418)**
A) NET INTEREST INCOME	**425,704**	**543,991**
Return in equity instruments	**2,016**	**1,795**
Share of profit or loss of entities accounted for using the equity method	**5,440**	**(2,999)**
Fee and commission income	**109,441**	**100,009**
Fee and commission expense	**(13,099)**	**(12,782)**
Gains or losses on financial assets and liabilities (net)	**47,439**	**31,593**
Financial liabilities held for trading	434	237
Other financial instruments at fair value through profit or loss	1,375	(657)
Financial instruments not at fair value through profit and loss	34,756	14,277
Other	10,874	17,736
Exchange differences (net)	**1,628**	**1,609**
Other operating income	**51,450**	**36,087**
Insurance and reinsurance premium income	-	-
Sales and income from the provision of non-financial services	17,052	17,511
Other operating income	34,398	18,576
Other operating expenses	**(36,736)**	**(22,834)**
Insurance and reinsurance premiums paid	-	-
Variation in inventories	(22,374)	(8,493)
Other operating expenses	(14,362)	(14,341)
B) GROSS INCOME	**593,283**	**676,469**
Administrative expenses	**(324,409)**	**(308,875)**
Personnel expenses	(240,065)	(227,629)
Other administrative expenses	(84,344)	(81,246)
Depreciation and amortisation	**(39,784)**	**(36,809)**
Provisioning expenses (net)	**23,742**	**(8,149)**
Impairment losses on financial assets (net)	**(152,478)**	**(201,163)**
Loans and receivables	(152,380)	(200,312)
Financial instruments not at fair value through profit and loss	(98)	(851)
C) NET OPERATING INCOME	**100,354**	**121,473**
Impairment losses on other assets (net)	**(57,519)**	**(38,634)**
Goodwill and other intangible assets	(825)	-
Other assets	(56,694)	(38,634)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	**(6,853)**	**(7,370)**
Negative difference un business combinations	**-**	**-**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(3,124)**	**(1,512)**
D) PROFIT BEFORE TAX	**32,858**	**73,957**
Income tax	**481**	**(4,618)**
Mandatory transfer to Education and Development Fund	**(700)**	**(3,593)**
E) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**32,639**	**65,746**
Profit or loss from discontinued operations (net)	**-**	**-**
F) CONSOLIDATED PROFIT FOR THE PERIOD	**32,639**	**65,746**
Profit attributed to parent	35,815	65,747
Profit attributed to minority interest	(3,176)	(1)

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR
Consolidated statements of recognised revenues and expenses
for the years ended 31 December 2010 and 2009

Consolidated Statements of Recognised Income and Expenses

	Thousands of euros	
	2010	2009
A) CONSOLIDATED PROFIT FOR THE PERIOD	**32,639**	**65,746**
B) OTHER RECOGNISED INCOME AND EXPENSES	**(18,785)**	**(11,627)**
Available-for-sale financial assets	(24,950)	(15,559)
Revaluation gains/losses	(18,598)	(15,260)
Amounts transferred to income statement	(6,352)	(299)
Other reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedge of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial guarantees (losses) in pension plans	-	-
Entities accounted for by the equity method	(201)	(865)
Revaluation gains/losses	(201)	(865)
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Other recognised income and expenses	-	-
Income tax	6,366	4,797
C) TOTAL RECOGNISED INCOME AND EXPENSES	**13,854**	**54,119**
Attributed to parent	17,030	54,120
Attributed to minority interest	(3,176)	(1)

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

Thousands of euros

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

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2009

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: Dividends and remuneration	Total own funds	Valuation adjustments	Total	Minority Interest	Total equity
Closing balance at 31 December 2008	**678,342**	**-**	**1,056,272**	**774**	**-**	**-**	**132,727**	**(35,430)**	**1,832,685**	**8,752**	**1,841,437**	**1,665**	**1,843,102**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	**678,342**	**-**	**1,056,272**	**774**	**-**	**-**	**132,727**	**(35,430)**	**1,832,685**	**8,752**	**1,841,437**	**1,665**	**1,843,102**
Total income an expenses recognised	**-**	**-**	**-**	**-**	**-**	**-**	**65,747**	**-**	**65,747**	**(11,627)**	**54,120**	**(1)**	**54,119**
Other changes in equity	**280,123**	**-**	**152,413**	**(4,538)**	**-**	**-**	**(132,727)**	**4,267**	**299,538**	**(171)**	**299,367**	**(1,665)**	**297,702**
Capital/Endowment fund increase	256,749	-	-	-	-	-	-	-	256,749	-	256,749	-	256,749
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities transferred to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	-	(31,163)	(31,163)	-	(31,163)	-	(31,163)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	95,359	(4,562)	-	-	(126,227)	35,430	-	-	-	(1,665)	(1,665)
Increases (reductions) due to risk combinations	23,374	-	70,313	-	-	-	-	-	93,687	(171)	93,516	-	93,516
Optional transfer to welfare funds	-	-	-	-	-	-	(6,500)	-	(6,500)	-	(6,500)	-	(6,500)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	(13,259)	24	-	-	-	-	(13,235)	-	(13,235)	-	(13,235)
Closing balance at 31 December 2009	**958,465**	**-**	**1,208,685**	**(3,764)**	**-**	**-**	**65,747**	**(31,163)**	**2,197,970**	**(3,046)**	**2,194,924**	**(1)**	**2,194,923**

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR
Consolidated cash-flow statements for the years ended 31 December 2010 and 2009

Consolidated Cash-Flow Statements

	Thousands of euros	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES	**(17,204)**	**(229,896)**
Profit or loss for the period	**32,639**	**65,746**
Adjustments to obtain cash flows on operating activities:	**217,230**	**276,827**
Depreciation and amortisation	39,784	36,809
Other adjustments	177,446	240,018
Net increase/decrease in operating assets:	**2,405,072**	**2,740,063**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	5,490	457
Available-for-sale financial assets	1,297,053	287,157
Loans and receivables	631,328	2,329,339
Other operating assets	471,201	123,110
Net increase/decrease in operating liabilities:	**2,154,593**	**2,164,725**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	-	-
Financial liabilities at amortised cost	2,143,764	2,157,221
Other financial liabilities	10,829	7,504
Collection/Payments on account on income tax	**(16,594)**	**2,869**
CASH FLOWS FROM INVESTING ACTIVITIES	**(161,587)**	**(131,815)**
Payments:	**224,363**	**162,873**
Tangible assets	142,107	107,209
Intangible assets	8,087	14,118
Investments	-	2,244
Other business units	-	-
Non-current assets and associated liabilities held for sale	74,169	38,563
Held-to-maturity investments	-	-
Other payments relating investing activities	-	739
Collections:	**62,776**	**31,058**
Tangible assets	35,673	26,520
Intangible assets	353	2,016
Investments	15,253	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	11,497	2,522
Held-to-maturity investments	-	-
Other collections relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**(56,252)**	**271,290**
Payments:	**175,872**	**37,581**
Dividends	37,572	36,581
Subordinated liabilities	138,300	1,000
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments relating financing activities	-	-
Collections:	**119,620**	**308,871**
Subordinated liabilities	-	-
Issuance of own equity instruments	119,620	308,871
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DESCREASE IN CASH OR CASH EQUIVALENTS	**(235,043)**	**(90,421)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**443,759**	**534,180**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**208,716**	**443,759**

Memorandum item

	Thousands of euros	
	2010	2009
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	165,603	166,258
Cash equivalent balances with central banks	43,113	277,501
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial liability	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**208,716**	**443,759**

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10. Non-current assets for sale and associated liabilities
11. Investments
12. Tangible assets
13. Intangible assets
14. Measurement adjustments for the impairment of other assets
15. Other assets and liabilities
16. Provisions
17. Minority interests
18. Measurement adjustments to equity
19. Share Capital (Capital and other equity instruments) and capital reimbursable on demand (Liability)
20. Reserves
21. Promotion and Education Fund
22. Related party transactions
23. Compensation for the Governing Body and Executives
24. Tax assets and liabilities - Corporate income tax
25. Breakdown of the consolidated income statement
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1. General Information

1.1. Nature of the Entity

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

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

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

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

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

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

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

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

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

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

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

The other entities forming part of Grupo Cooperativo Cajamar – as participants – to date are Caja Campo, Caja Rural, Sociedad Cooperativa de Crédito Valenciana (Caja Campo), Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana (Caja Rural de Casinos), Caixa Rural Albalat dels Sorells, Cooperativa de Crédit Valenciana (Caixa Albalat), la Caja de Crédito de Petrel (Caixa Petrel), Caja Rural, Cooperativa de Crédito Valenciana and Caixa Rural de Turís, Cooperativa de Crédito Valenciana.

The decisions relating to the entry into Grupo Cooperativo Cajamar have been taken by Caja Campo and Caja Rural de Casinos as a result of the resolutions adopted by their respective General Assemblies held on 23 June 2009, while the General Assembly of Caixa Albalat was held on 2 October 2009. Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana held its general assembly on 16 April 2010, whereas the General assembly of Caixa Rural de Turís, Cooperativa de Crédito Valenciana was held on 19 May 2010.

Creation of the Grupo Cooperativo Cajamar

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

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

On 25 May 2009, the Governing Boards of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, Caja Campo, Caja Rural, Sociedad Cooperativa de Crédito, Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana, and Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana took the decision to call General Assemblies to submit a proposal to approve a resolution to create a common financial group under the name and legal system of Grupo Cooperativo Cajamar, which will contribute to the strengthening of the members and through which they will consolidate their balance sheets and follow a common business strategy, management policies and control over risks, solvency and liquidity.

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

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

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

On 23 June 2009 the General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, Caja Campo, Caja Rural, Sociedad Cooperativa de Crédito y Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana approved the proposal presented by their respective Governing Bodies for the creation of Grupo Cooperativo Cajamar. Subsequently, on 2 October 2009 the General Assembly of Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana approved the same proposal to create and join Grupo Cooperativo Cajamar.

On 10 December 2009, the Executive Committee at the bank of Spain agreed to consider Grupo Cooperativo Cajamar as a consolidated group of credit institutions, and also classified the agreement concluded by the participating rural banks as an Institutional Protection System (SIP). At that time this Bank of Spain classification covered Cajamar Caja Rural, Caja Campo and Caja Rural de Casinos, the entities that approved the creation and operating agreement at General Assemblies held on 23 June and on 27 February 2010 it authorised Caixa Albalat to join the group.

In 2010, in addition to Caixa Albalat joining the Group, Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana joined with the approval of their General Assemblies held on 16 April 2010 and Caixa Rural de Turís, Cooperativa de Crédito Valenciana entered with the approval of its General Assembly held on 19 May 2010.

On 18 October 2010 the Executive Committee of the Bank of Spain approved the authorisation for Caixapetrer and Caixa Turís to enter the Consolidated Group of credit entities and the SIP.

The consolidated annual accounts for Cajamar Group for 2009 were approved by the General Assembly on 25 March 2010. The Group's consolidated annual accounts for 2010, those for the Entity and those for all of the entities forming part of the Group, have yet to be approved by their respective General Assemblies, notwithstanding the fact that the Entity's Governing Body understands that they will be approved without any change being made.

At 31 December 2010 the Parent Entity's total assets, equity and profits for the year account for 95.06%, 93.33% and 97.57%, respectively, of the same items in the Grupo Cooperativo Cajamar (95.40%, 94.84% and 96.59%, respectively, at 31 December 2009, see Note 2.9).

The individual balance sheets, the individual income statements, individual statements of recognised revenues and expenses, individual statements of changes in equity and the individual cash flow statements for Cajamar for the years ended 31 December 2010 and 2009, 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 as at 31 December 2010 and 2009:

Assets	Thousands of euros	
	2010	2009
Cash and balances with central banks	197,131	436,072
Financial liabilities held for trading	10,407	48
Other financial assets at fair value through profit or loss	24,513	20,658
Available-for-sale financial assets	1,676,669	390,907
Loans and receivables	24,832,627	24,280,557
Held-to-maturity investments	124,204	23,688
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	127,830	83,837
Non-current assets held for sale	101,346	63,500
Investments	98,465	53,949
Associates	*19,959*	*35,693*
Jointly controlled entities	*17*	*18*
Group entities	*78,489*	*18,238*
Insurance contracts linked to pensions	-	-
Tangible assets	536,443	488,837
Tangible fixed assets	*423,526*	*394,107*
Investment properties	*112,917*	*94,730*
Intangible assets	34,484	34,373
Goodwill	-	-
Other intangible assets	*34,484*	*34,373*
Tax assets	133,454	113,704
Current	*6,743*	*14,924*
Deferred	*126,711*	*98,780*
Other assets	442,590	415,887
TOTAL ASSETS	**28,340,163**	**26,406,017**

Liabilities

	Thousands of euros	
	2010	2009
Financial liabilities held for trading	1,684	49
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	25,698,462	23,847,832
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	14,573	1,925
Liabilities associated with non-current assets held for sale	-	-
Provisions	49,818	86,277
Tax liabilities	48,078	46,040
Current	*11,782*	-
Deferred	*36,296*	*46,040*
Education and Development Fund	3,436	5,242
Other liabilities	169,240	146,671
Capital having the nature of a financial liability	181,162	173,851
TOTAL LIABILITIES	**26,166,453**	**24,307,887**
Own funds	**2,198,265**	**2,101,439**
Capital	1,038,910	935,091
Issued	*1,038,910*	*935,091*
Less: Unpaid and uncalled	-	-
Share premium	-	-
Reserves	1,155,781	1,134,010
Other equity instruments	-	-
Less: Treasury shares	-	-
Profit for the period	34,778	63,501
Less: Dividends and remuneration	(31,204)	(31,163)
Valuation adjustments	**(24,555)**	**(3,309)**
Available-for-sale financial assets	(24,555)	(3,309)
Cash flow hedges	-	-
Hedge of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Rest of valuation adjustments	-	-
TOTAL EQUITY	**2,173,710**	**2,098,130**
TOTAL LIABILITIES AND EQUITY	**28,340,163**	**26,406,017**

Memorandum items

Contingent exposures	631,488	626,978
Contingent commitments	1,957,459	1,693,471
TOTAL MEMORANDUM ACCOUNTS	**2,588,947**	**2,320,449**

b) Individual income statements for the years ended 31 December 2010 and 2009:

	Thousands of euros	
	2010	2009
Interest and similar income	877,505	1,117,167
Interest expense and similar charges	(466,371)	(566,735)
Remuneration of capital having the nature of a financial liability	(5,428)	(5,418)
NET INTEREST INCOME	**405,706**	**545,014**
Return in equity instruments	11,495	1,795
Fee and commission income	100,178	98,809
Fee and commission expense	(12,593)	(12,782)
Gains or losses on financial assets and liabilities (net)	46,695	31,582
Exchange differences (net)	1,628	1,609
Other operating income	36,761	18,905
Other operating expenses	(13,279)	(14,341)
GROSS INCOME	**576,591**	**670,591**
Administrative expenses	(293,176)	(297,753)
Personnel expenses	*(208,370)*	*(209,411)*
Other administrative expenses	*(84,806)*	*(88,342)*
Depreciation and amortisation	(36,966)	(35,275)
Provisioning expenses (net)	18,453	(8,152)
Impairment losses on financial assets (net)	(172,481)	(200,872)
NET OPERATING INCOME	**92,421**	**128,539**
Impairment losses on other assets (net)	(52,002)	(47,882)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(4,391)	(7,444)
Negative difference un business combinations	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	(1,614)	(1,512)
PROFIT BEFORE TAX	**34,414**	**71,701**
Income tax	761	(4,607)
Mandatory transfer to Education and Development Fund	(397)	(3,593)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**34,778**	**63,501**
Profit or loss from discontinued operations (net)	-	-
PROFIT FOR THE PERIOD	**34,778**	**63,501**

c) Individual statements of revenues and expenses recognised for the years ended 31 December 2010 and 2009:

	Thousands of euros	
	2010	2009
A) PROFIT OR LOSS FOR THE PERIOD	**34,778**	**63,501**
B) OTHER RECOGNISED INCOME AND EXPENSES	**(20,102)**	**(10,540)**
Available-for-sale financial assets	(27,127)	(15,171)
Revaluation gains (losses)	(20,775)	(14,872)
Amounts transferred to income statement	(6,352)	(299)
Other reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains (losses)	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial amount of 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 gains (losses) in pension plans	-	-
Other recognised income and expenses	-	-
Income tax	7,025	4,631
TOTAL INGRESOS/(GASTOS) RECONOCIDOS (A + B)	**14,676**	**52,961**

d) Individual statements of changes in equity for the years ended 31 December 2010 and 2009:

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

	Thousands of euros									
	Own funds									
	Capital/ Endowment fund	Share premium	Reserves	Other equity instruments	Less: Treasury shares	Profit (loss) of the year	Less: Dividends and remuneration	Total own funds	Valuation adjustments	Total equity
Closing balance at 31 December 2008	**678,342**	**-**	**1,049,355**	**-**	**-**	**126,585**	**(35,430)**	**1,818,852**	**7,231**	**1,826,083**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	**-**	-	**-**
Adjustments made to correct errors	-	-	-	-	-	-	-	**-**	-	**-**
Opening balance adjusted	**678,342**	**-**	**1,049,355**	**-**	**-**	**126,585**	**(35,430)**	**1,818,852**	**7,231**	**1,826,083**
Total income an expenses recognised	**-**	**-**	**-**	**-**	**-**	**63,501**	**-**	**63,501**	**(10,540)**	**52,961**
Other changes in equity	**256,749**	**-**	**84,655**	**-**	**-**	**(126,585)**	**4,267**	**219,086**	**-**	**219,086**
Capital/Endowment fund increase	256,749	-	-	-	-	-	-	**256,749**	-	**256,749**
Capital reductions	-	-	-	-	-	-	-	**-**	-	**-**
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	**-**	-	**-**
Increases in other equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Financial liabilities transferred to other equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	**-**	-	**-**
Distribution of dividends/Remuneration of members	-	-	-	-	-	-	(31,163)	**(31,163)**	-	**(31,163)**
Operations with own equity instruments (net)	-	-	-	-	-	-	-	**-**	-	**-**
Reclassifications	-	-	84,655	-	-	(120,085)	35,430	**-**	-	**-**
Increases (reductions) due to risk combinations	-	-	-	-	-	-	-	**-**	-	**-**
Optional transfer to welfare funds	-	-	-	-	-	(6,500)	-	**(6,500)**	-	**(6,500)**
Payments with equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Other increases (reductions) in equity	-	-	-	-	-	-	-	**-**	-	**-**
Closing balance at 31 December 2009	**935,091**	**-**	**1,134,010**	**-**	**-**	**63,501**	**(31,163)**	**2,101,439**	**(3,309)**	**2,098,130**

e) Individual cash-flow statements for the year ended 31 December 2010 and 2009:

	Thousands of euros	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES	**16,920**	**(243,329)**
Profit or loss for the period	**34,778**	**63,501**
Adjustments to obtain cash flows on operating activities:	**253,178**	**268,294**
Depreciation and amortisation	36,966	35,275
Other adjustments	216,212	233,019
Net increase/decrease in operating assets:	**2,202,749**	**1,530,936**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	3,855	457
Available-for-sale financial assets	1,306,897	258,295
Loans and receivables	724,150	1,179,853
Other operating assets	167,847	92,331
Net increase/decrease in operating liabilities:	**1,941,354**	**948,680**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,933,916	950,683
Other financial liabilities	7,438	(2,003)
Collection/Payments on account on income tax	**(9,641)**	**7,132**
CASH FLOWS FROM INVESTING ACTIVITIES	**(192,059)**	**(102,631)**
Payments:	**230,705**	**130,972**
Tangible assets	94,351	71,849
Intangible assets	6,962	10,318
Investments	61,614	13,961
Other business units	-	-
Non-current assets and associated liabilities held for sale	67,778	34,844
Held-to-maturity investments	-	-
Other payments relating investing activities	-	-
Collections:	**38,646**	**28,341**
Tangible assets	26,366	7,869
Intangible assets	347	-
Investments	82	17,950
Other business units	-	-
Non-current assets and associated liabilities held for sale	11,851	2,522
Held-to-maturity investments	-	-
Other collections relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**(63,802)**	**247,863**
Payments:	**174,932**	**37,581**
Dividends	36,632	36,581
Subordinated liabilities	138,300	1,000
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments relating financing activities	-	-
Collections:	**111,130**	**285,444**
Subordinated liabilities	-	-
Issuance of own equity instruments	111,130	285,444
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DESCREASE IN CASH OR CASH EQUIVALENTS	**(238,941)**	**(98,097)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**436,072**	**534,169**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**197,131**	**436,072**

Memorandum item	Thousands of euros	
	2010	2009
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	154,028	158,571
Cash equivalent balances with central banks	43,103	277,501
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial liability	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**197,131**	**436,072**

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 1,027 offices, mainly located in Almeria, Malaga, Murcia, Barcelona, Valladolid, Madrid, Valencia and the Balearic Islands (see Schedule II for a list of offices by geographic area).

1.4. Legal matters

As the 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 2% of qualifying liabilities at 31 December 2010 and 2009. (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 80% by Cajamar's by-laws – Note 20) and 10% to the Education and Promotion Fund (see Note 3.13).

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

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

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

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

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

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

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

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

> RDL 1298/1986 (28 June) on the adaptation of current law governing credit institutions to meet EU legislation (published in the BOE on 30 June).

> Law 26/1988 (29 July) on Credit Institution Discipline and Intervention (published in the BOE on 30 July).

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

> Bank of Spain Circular 4/2004 (22 December), and subsequent amendments, regarding Public and Reserved Financial Information, and subsequent amendments in Bank of Spain Circular 6/2008 (26 November), the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.

> Bank of Spain Circular 3/2008 (22 May) and subsequent amendments, regarding the calculation and control of minimum equity resources on a consolidated basis for the credit institutions, as defined by Law 36/2007 (16 November) which amends Law 13/1985 (25 May), on investment ratios, equity and reporting obligations for financial intermediaries. This circular gives rise to the adaptation of Spanish legislation governing credit institutions to EU Directives 2006/48/CE and 2006/49/CE issued by the European Parliament.

> RD 1332/2005 (11 November), which enables Law 5/2005 (22 April) on the supervision of financial conglomerates (Mixed Groups).

> RD 716/2009 (24 April), which enables Law 2/1981 (25 March), which regulates the Mortgage Market. (Note 7.5.b.6.).

In addition, the Entities are subject to Royal Decree 1362/2007 (19 October), which enables Law 24/1988 (28 July), on the stock market, regarding the transparency requirements for information relating to issuers whose securities are traded on an official secondary market or on another regulated market in the European Union, and National Stock Market Commission Circular 1/2008 (30 January), on regular reporting by issuers of securities listed on a regulate market, consisting of 6-month reports, interim management reports and, if appropriate, quarterly reports.

At the date these consolidated annual accounts were prepared, the IASB published standards and interpretations that have yet to enter into force, either because their effective date is subsequent to the date of these consolidated annual accounts or because they have yet to be adopted by the European Union. The most notable of these items are as follows:

Standards, amendments and interpretations	Standard content description	Mandatory application from:
Approved for use in the UE		
Revision of the IFRS 3	Business Combinations	1 July 2009
Amendment to IAS 27	Changes in Ownership Interests	1 July 2009
Amendment to IAS 39	Eligible Hedged Items	1 July 2009
Amendment to IAS 32	Classification of Rights Issues	1 February 2010
IFRIC 12 (1) (3)	Service Concession Agreements	1 April 2009
IFRIC 15 (1) (3)	Agreements for the Construction of Real Estate	1 January 2010
IFRIC 16 (3)	Hedging of Net Investments in Foreign Countries	31 December 2010
IFRIC 17 (1) (3)	Distributions of Non-cash Assets to Owners	1 November 2009
IFRIC 18 (1)	Transfers of Assets from Customers	1 November 2009
Revision of the IAS 24	Detail of Related Parties	1 January 2011
Modification of the IFRS 14	Minimum Mandatory Prepayments	1 January 2011
IFRIC 19	Cancelation of financial liabilities with equity instruments	1 July 2010
Not approved for use in the EU (2)		
IFRS 9	Financial Instruments Recognition and Measurement	1 January 2013
Improvement Projects in IFRS 9	Non-urgent amendments to IFRS	Miscellaneous (1 january 2011)
Amendment to IFRS 2 (3)	Share-based Payment	1 January 2010
Amendment to IFRS 7	Financial Instruments: Detail - Transfers of financial assets	1 July 2011

(1) The mandatory application date is that which is indicated in the Official Journal of the European Union, which differs from the original date established by the IASB.
(2) Standards and interpretations not adopted by the European Union at the date these consolidated annual accounts were prepared.
(3) The entry into force of the amendments to these standards has not given rise to any relevant change or impact on the Group's consolidated annual accounts.

In 2010 certain International Financial Reporting Standards and Interpretations became mandatory, although the Lead Entity's Governing Body understands that the entry into force of most of these will not have a relevant impact on its consolidated annual accounts. The most notable changes in International Financial Reporting Standards and the relevant Interpretations are as follows:

> Amendment of IFRS 3 Business combinations and the Amendment of IAS 27 Consolidated and separate financial statements.- IFRS 3 revised and amendments to the IAS 27 gives rise to very relevant changes in several aspects of accounting for business combinations that, in general, place more emphasis on the use of fair values.

> IFRS 9 "Financial instruments: Classification and valuation.- IFRS 9 will replace the current classification and valuation portion of IAS 39 in the future. There are very relevant differences compared with the current standard including, among others, the approval of a new classification model based on two unique categories of amortised cost and fair value, the disappearance of the current classifications of "Investments held to maturity" and "Available-for-sale financial assets", the analysis of impairment only for assets at amortised cost and the absence of any joining of embedded derivatives in financial contracts.

> IFRIC 15 Agreements for the construction of buildings - this standard establishes the conditions under which a contract for the construction of a building must be recognised in accordance with IAS 11 "Construction agreements" or IAS 18 "Ordinary revenues".

> IFRIC 19 Extinguishing financial liabilities with equity instruments.- This interpretation covers the accounting treatment from the borrower's point of view of the total or partial cancellation of a financial liability through the issue of equity instruments to the lender.

> IAS 24 Revised-Related party disclosures.- This amendment to IAS 24 covers the related party disclosures in the financial statements.

> Amendment of IAS 39 Financial Instruments: recognition and measurement - Items that may be designated as hedged.

> Amendment of IFRS 2 "Share based payments – Share based payments for the Group"; IFRIC 12 "Service Concession Arrangements"; IFRIC 15 "Agreements for the construction of real estate"; CINIIF 16 "Hedges of a net investment in a foreign operation"; CINIIF 17 "Distributions of non-cash assets to owners". The entry into force of the amendments to these standards has not given rise to any relevant change or impact on the Group's consolidated annual accounts.

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 that are 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.

The 2010 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.

When consolidating the entities Caja Campo Caja Rural and Caja Rural de Casinos into Grupo Cooperativo Cajamar in 2009, the comparison of the cost of the business combination with the net fair value of the Entity's assets, liabilities and contingent liabilities, there are no significant differences based on the best information available at that date. Given that the fair values assigned to the identifiable assets, liabilities or contingent liabilities at the entities were not definitively determined, the result of the business combination was considered to be provisional until reverified in accordance with the stipulations of Standard Forty-Three of Bank of Spain Circular 4/2004 (22 December), and subsequent amendments. A twelve-month period is available after the date of the combination to create a new estimate. During 2010, the Lead Entity obtained further information that allowed it to make a more reasonable estimate of assets, liabilities and contingent liabilities, for the purposes of consolidating those entities into the Group.

As has been described and different from the mergers, in consolidated groups articulated around these **Institutional Protection Systems (SIP)**, the participating entities continue to have their own legal status and they must continue to prepare individual financial statements in accordance with current legislation.

The regulations established in the Bank of Spain Circular 4/2004 and subsequent amendments, no transaction such as that described above is covered by applicable accounting rules at the date these annual accounts were prepared. In this respect, Bank of Spain Circular 4/2004 and subsequent amendments, includes the possibility that in exceptional circumstances (and the integration process described may be considered to be such a situation), the reasoned application of a specific accounting policy may be applied provided that the Bank of Spain has given approval, and indicates the possibility of using the policy applicable to similar transactions that are regulated.

For this reason, on 28 December 2010 a statement of intentions was sent to the Financial Information and Central Risk Department at the Bank of Spain regarding certain policies not covered by Bank of Spain Circular 4/2004 and subsequent amendments, in accordance with the provisions of Point 8, relating to the accounting policies to be applied to the individual annual accounts of the entities as a result of their integration into the Cooperative Group, taking into consideration the matters indicated in the preceding paragraphs.

This document proposed converging, to the extent possible, the Group's consolidated financial statements prepared in accordance with IFRS-EU and the individual financial statements for each entity prepared in accordance with local legislation and, therefore, bring the individual financial statements into line with the reality of the true and fair view reflected in the consolidated financial statements.

The accounting treatment proposed in this document was authorised by the Bank of Spain on 19 January 2011, to the extent that the Governing Body assumes that accounting treatment and the supporting justification and provided that the 2010 annual accounts restate the comparative information for 2009 relating to the entities integrated in 2009. Accordingly, the entities integrated in 2009 have charged reserves in the individual accounts for adjustments equal to the differences in value between the amounts recorded in their accounts and the amount recorded in the consolidated annual accounts for Grupo Cooperativo Cajamar, restating the financial information relating to 2009 while the entities integrated in 2010, when they entered into the Group, Caixa Rural de Albalat, Caixa Rural de Turis and Caja de Crédito de Petrel, recorded in their individual accounts charges against reserves equal to the differences in value between the amount recognised in their accounts and the amount recorded in the consolidated statements for Grupo Cooperativo Cajamar in which they are included for the first time. 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 and there is therefore no difference between the manner in which the item is recognised in the SIP's consolidated annual accounts.

In accordance with the matters indicated in the preceding paragraphs, the entities have recorded the assets, specifically those relating to the loan portfolio, at fair value in their individual annual accounts and no other assets, liabilities and contingent liabilities whose carrying values are significantly different than their fair values have been identified and there are no assets relating to indemnities or reacquired rights. The assets and liabilities assumed have been classified and designated for subsequent measurement based on contractual agreements, economic conditions, accounting and operating policies and other conditions existing at the acquisition date, except for lease and insurance contracts.

The balancing entry for the differences between the previous carrying value and the net fair value of these assets, liabilities and contingent liabilities at the entities have been recorded by charging/crediting the heading "Reserves - Accumulated Reserves (losses)" in the accompanying balance sheet (Note 20). At 31 December 2010 and 31 December 2009, the figures shown in the balance sheet for the entities at that date reflect the fair value of their assets and liabilities.

The value corrections affecting assets and liabilities at 31 December 2010 are as follows:

	Thousands of euros				
	Book value before value correction (1)	Adjustments made for fair value estimation (2)	Book value after correction	Effect on Equity (3)	Fiscal effect (4)
Loans and receivables	25,014,179	(7,316)	25,006,863	(5,486)	1,830
Non-current assets on sale	107,897	(267)	107,630	(200)	67
Total	**25,122,076**	**(7,583)**	**25,114,493**	**(5,686)**	**1,897**

The value adjustments affecting the assets and liabilities on 31 December 2009 are as follows:

	Thousands of euros				
	Book value before value correction (1)	Adjustments made for fair value estimation (2)	Book value after correction	Effect on Equity (3)	Fiscal effect (4)
Loans and receivables	24,208,623	(23,238)	24,185,385	(17,300)	5,938
Total	**24,208,623**	**(23,238)**	**24,185,385**	**(17,300)**	**5,938**

(1) Includes the carrying value at the Entity before the value correction (active balances, accrued interest, value adjustments due to micro-hedges, provisions, etc.)
(2) Includes the value corrections that have been identified.
(3) Includes the effect on equity of the value adjustments identified (Note 20)
(4) Includes the tax effect of the value adjustment taken into account in the future as deductible, which has been recognised as a deferred tax liability or asset and, therefore, has not been recorded under 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

For the purposes of comparison, the Entity's Governing Body presents the figures for 2009 for each of the items set out in these annual accounts together with the figures for 2010.

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

As is required by accounting regulations, the Group presents, for the purposes of comparison, each of the figures for 2009 together with each item disclosed in the consolidated annual accounts for 2010, which have been restated taking into account the changes mentioned in the preceding paragraph. Consequently, the figures relating to the previous year differ from those in the consolidated annual accounts approved for 2009, as follows:

	Thousands of euros	
	Data relative to December 31 2009 according to Annual Accounts	
	Reexpressed	Formulated
Loans and advances to other debtors		
Tax Assets	24,185,385	24,208,623
Reserves	113,785	107,847
Statement of Changes in Equity	1,208,685	1,225,985
Equity		
Patrimonio Neto	2,194,923	2,212,223

Except for the issues mentioned below, there have been no accounting changes that significantly affect the comparison of the annual accounts for 2010 and 2009.

The Group's consolidated annual accounts for 2009 were approved by the General Assembly held on 25 March 2010.

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".

The individual balances sheets and income statements for the Cooperative Group's credit institution subsidiaries for the years ended 31 December 2010 and 2009 are set out below and have been prepared in accordance with the accounting standards and regulations established in Bank of Spain Circular 4/2004 and subsequent amendments established in Bank of Spain Circular 6/2008.

a) Individual balance sheets of Caja Campo, Caja Rural Sociedad Cooperativa de Crédito, Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana, Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana and Caixa Rural de Turís, Cooperativa de Crédito Valenciana as at 31 December 2010 and 2009:

	Cajacampo		C R Casinos		C R Albalat		Caixapetrer		Caixa Turís	
	Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros	
	2010	2009(*)	2010	2009(*)	2010	2009	2010	2009	2010	2009
ASSETS										
Cash and balances with central banks	9,354	7,423	254	263	411	278	1,247	1,395	307	381
Financial liabilities held for trading	-	4,072	-	-	-	-	46	83	-	-
Other financial assets at fair value through profit or loss	-	-	-	-	-	-	1,635	1,584	-	-
Available-for-sale financial assets	20,387	32,522	309	201	303	242	4,587	4,013	951	984
Loans and receivables	1,106,378	1,164,001	41,564	41,920	37,602	41,684	136,985	144,976	42,512	44,998
Held-to-maturity investments	3,071	3,075	-	50	-	-	-	-	10,173	7,570
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	121	73	-	-	-	-	28	4	-	-
Non-current assets held for sales	4,280	3,488	133	190	1,356	1,854	214	167	241	319
Investments	-	-	-	-	-	-	-	-	-	-
Tangible assets	20,198	19,380	853	869	1,469	1,494	3,020	3,196	1,229	1,274
Intangible assets	56	948	4	5	-	-	1	5	4	6
Tax assets	13,087	13,356	573	443	792	132	2,016	1,413	582	256
Other assets	1,840	1,053	88	9	412	252	212	246	98	49
TOTAL ASSETS	**1,178,772**	**1,249,391**	**43,778**	**43,950**	**42,345**	**45,936**	**149,991**	**157,082**	**56,097**	**55,837**

(*) Figures restated in accordance with the matters indicated in Note 2.1.

	Cajacampo		C R Casinos		C R Albalat		Caixapetrer		Caixa Turís	
	Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros	
	2010	2009(*)	2010	2009(*)	2010	2009	2010	2009	2010	2009
LIABILITIES AND EQUITY										
Financial liabilities held for trading	72	462	-	-	-	-	46	83	21	20
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	1,077,004	1,162,179	38,178	39,072	33,854	36,196	130,349	133,580	46,445	45,498
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	1,637	500	-	-	-	-	158	84	-	-
Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Provisions	2,963	2,235	161	17	99	17	561	868	157	5
Tax liabilities	3,298	4,216	273	62	324	415	390	1,053	81	56
Education and Development Fund	379	260	31	38	27	73	290	391	112	121
Other liabilities	12,164	6,969	271	144	533	49	437	475	201	132
Capital having the nature of a financial liability	-	-	53	53	10	9	23	22	-	-
TOTAL LIABILITIES	**1,097,517**	**1,176,821**	**38,967**	**39,386**	**34,847**	**36,759**	**132,254**	**136,556**	**47,017**	**45,832**
Own funds	**79,735**	**71,823**	**4,735**	**4,564**	**7,449**	**9,165**	**17,076**	**19,577**	**8,972**	**9,875**
Capital	29,657	23,284	90	90	1,052	1,052	866	866	166	168
Share premium	-	-	-	-	-	-	-	-	-	-
Reserves	48,297	47,082	4,474	4,263	6,243	7,911	15,772	18,049	8,720	9,628
Other equity instruments	-	-	-	-	-	-	-	-	-	-
Less: Treasury shares	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	2,721	2,574	171	211	154	202	438	662	86	79
Less: dividends and remuneration	(940)	(1,117)	-	-	-	-	-	-	-	-
Valuation adjustments	**1,520**	**747**	**76**	**-**	**49**	**12**	**661**	**949**	**108**	**130**
Available-for-sale financial assets	1,520	747	76	-	49	12	661	949	108	130
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Hedge of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Rest of valuation adjustments	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	**81,255**	**72,570**	**4,811**	**4,564**	**7,498**	**9,177**	**17,737**	**20,526**	**9,080**	**10,005**
TOTAL LIABILITIES AND EQUITY	**1,178,772**	**1,249,391**	**43,778**	**43,950**	**42,345**	**45,936**	**149,991**	**157,082**	**56,097**	**55,837**
MEMORANDUM ITEM										
Contingent exposures	98,379	108,353	1,656	2,416	2,931	2,830	9,266	10,967	2,252	3,150
Contingent commitments	72,451	70,566	2,369	2,698	2,363	2,508	6,548	8,456	2,745	4,622
TOTAL MEMORANDUM ACCOUNTS	**170,830**	**178,919**	**4,025**	**5,114**	**5,294**	**5,338**	**15,814**	**19,423**	**4,997**	**7,772**

(*) Figures restated in accordance with the matters indicated in Note 2.1.

b) Individual income statements of Caja Campo, Caja Rural Sociedad Cooperativa de Crédito, Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana, Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana, Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana and Caixa Rural de Turís, Cooperativa de Crédito Valenciana for the years ended 31 December 2010 and 2009:

	Cajacampo		C R Casinos		C R Albalat		Caixapetrer		Caixa Turís	
	Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros		Thousands of euros	
	2010	2009(*)	2010	2009(*)	2010	2009	2010	2009	2010	2009
Interest and similar income	39,456	55,269	1,814	2,760	1,541	2,393	4,829	7,301	1,665	2,410
Interest expense and similar charges	(19,080)	(28,541)	(710)	(1,457)	(612)	(1,042)	(1,385)	(2,139)	(709)	(1,125)
Remuneration of capital having the nature of a financial liability	-	-	-	-	-	-	-	-	-	-
NET INTEREST INCOME	**20,376**	**26,728**	**1,104**	**1,303**	**929**	**1,351**	**3,444**	**5,162**	**956**	**1,285**
Return on equity instruments	211	195	6	4	6	4	164	145	37	24
Fee and commission income	5,929	5,768	210	191	209	164	748	792	202	206
Fee and commission expense	(460)	(523)	(18)	(30)	(14)	(16)	(24)	(32)	(15)	(20)
Gains or losses on financial assets and liabilities (net)	476	2,007	-	(2)	-	114	72	306	(7)	8
Exchange differences	(9)	21	4	-	3	-	11	14	-	-
Other operating income	654	1,049	36	16	51	26	72	78	38	28
Other operating expenses	(867)	(750)	(57)	(28)	(61)	(23)	(100)	(109)	(98)	(36)
GROSS INCOME	**26,310**	**34,495**	**1,285**	**1,454**	**1,123**	**1,620**	**4,387**	**6,356**	**1,113**	**1,495**
Administrative expenses	(18,193)	(20,051)	(747)	(753)	(798)	(809)	(3,352)	(3,432)	(966)	(1,015)
Personnel expenses	*(12,534)*	*(12,971)*	*(416)*	*(395)*	*(386)*	*(491)*	*(2,347)*	*(2,420)*	*(611)*	*(625)*
Other administrative expenses	*(5,659)*	*(7,134)*	*(331)*	*(358)*	*(412)*	*(318)*	*(1,005)*	*(1,012)*	*(355)*	*(390)*
Depreciation and amortisation	(1,427)	(1,439)	(50)	(49)	(60)	(62)	(161)	(131)	(55)	(53)
Provisioning expenses (net)	(109)	(1,630)	(144)	(4)	(19)	7	(119)	(327)	(149)	7
Impairment losses on financial assets (net)	(1,164)	(7,590)	(56)	(357)	30	(267)	(86)	(1,482)	263	(355)
NET OPERATING INCOME	**5,417**	**3,785**	**288**	**291**	**276**	**489**	**669**	**984**	**206**	**79**
Impairment losses on rest of assets (net)	(841)	(626)	-	-	-	-	-	-	-	-
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(98)	(13)	-	-	-	(8)	-	-	(54)	(11)
Negative difference un business combinations	-	-	-	-	-	-	-	-	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	(1,377)	(187)	(58)	(6)	(64)	(206)	(34)	-	(51)	31
PROFIT BEFORE TAX	**3,101**	**2,959**	**230**	**285**	**212**	**275**	**635**	**984**	**101**	**99**
Income tax	(182)	(223)	(29)	(37)	(31)	(37)	(51)	(101)	(6)	(11)
Assigned to the Education and Development Fund	(198)	(162)	(30)	(37)	(27)	(36)	(146)	(221)	(9)	(9)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**2,721**	**2,574**	**171**	**211**	**154**	**202**	**438**	**662**	**86**	**79**
Profit or loss discontinued operations (net)	-	-	-	-	-	-	-	-	-	-
PROFIT OR LOSS FOR THE PERIOD	**2,721**	**2,574**	**171**	**211**	**154**	**202**	**438**	**662**	**86**	**79**

(*) Figures restated in accordance with the matters indicated in Note 2.1.

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 6.e).

> Losses on future obligations deriving from contingent risks (Note 3.3 and 3.12).

> The reversal period for timing differences (Notes 3.18).

> The fair value of certain guarantees linked to the collection of assets.

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

2.7. Consolidation principles

These consolidated annual accounts have been prepared using the full, proportional and equity methods of consolidation as stipulated by the aforementioned legislation, including the following companies at 31 December 2010 and 2009:

	2010		2009	
	% shareholding		% shareholding	
Company	direct	indirect	direct	indirect
Group Entities				
Caixa Rural Albalat dels Sorells, C.C.V. (a)	-	-	-	-
Caixa Rural de Turís, C.C.V. (a)	-	-	-	-
Caja Campo Caja Rural, S.C.C. (b)	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	-	-	-	-
Caja Rural de Casinos, S.C.C. (b)	-	-	-	-
Albabío Andalucía, S.L.U. (c) (g)	-	-	-	100.00%
Cajamar Gestión S.G.I.I.C., S.A.U.	100.00%	-	100.00%	-
Cajamar Inter. Op. Banca Seg. Vinculado, S.L.U.	100.00%	-	100.00%	-
Cajamar Renting, S.L.U.	100.00%	-	100.00%	-
Cimenta2 Gestión e Inversiones, S.L.	83.13%	-	100.00%	-
Eurovía Informática, A.I.E. (d)	96.00%	1.00%	96.00%	1.00%
Eurovía Tecnología S.L.U. (f) (e)	-	100.00%	-	100.00%
Grupo Hispatec Informática Empresarial, S.A.U.	100.00%	-	100.00%	-
Hiposervi, S.L.U. (g)	-	-	100.00%	-
Hotel Envía Golf, S.L. (h)	-	83.13%	-	24.99%
Sunaria Capital, S.L.U.	100.00%	-	100.00%	-
Talia Formación S.L.U. (f)	-	100.00%	-	100.00%
Tarket Gestión, A.I.E.	95.00%	2.00%	95.00%	2.00%
Jointly-controlled Entities				
Safei Rural Málaga, S.A.	50.00%	-	50.00%	-
Associates				
Acuariums de Almería, S.L.	-	25.00%	-	25.00%
Agrocolor, S.L.	32.37%	-	32.37%	-
Alevines del Sureste, S.L.	-	17.78%	-	17.78%
Almagra Pro-2000, S.L.	23.50%	-	23.50%	-
Apartamentos Media Luna, S.A. (h)	-	41.57%	-	12.50%
Biocolor, S.L. (i)	-	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%
Grupo Inmobiliario Aguamar, S.L. (j)	-	-	24.99%	-
Iniciativas Económicas de Almería S.C.R., S.A.	24.97%	-	24.97%	-
Inversiones Turísticas y Hoteleras INMO, S.L.	-	19.71%	-	19.71%
Murcia emprende S.C.R., S.A.	25.00%	-	25.00%	-
Occidental Arroyomolinos, S.L.	-	25.00%	-	25.00%
Occidental Benalmádena, S.L.	-	25.00%	-	25.00%
Parque Científico-Tecnológico de Almería, S.A.	30.05%	-	30.00%	-
Proyecta Ingenio, S.L.	-	24.90%	-	24.90%
Sabinal Agroservicios, S.L.	50.00%	-	50.00%	-
Savia Biotech, S.A.	19.23%	-	19.23%	-
Tino Stone Group, S.A.	24.96%	-	25.00%	-

(a) Companies forming part of Grupo Cooperativo Cajamar in 2010 as provided in Note 1.1.
(b) Companies forming part of Grupo Cooperativo Cajamar in 2009 as provided in Note 1.1.
(c) Indirect shareholding through the company Sunaria Capital, S.L.u. (before through Albaida Recursos Naturales y Medioambiente, SA).
(d) Before named DSF A1mariya A.I.E.
(e) Before named Scx:lesban, SLU.
(f) Indirect shareholding through the company Sunaria Capital, S.L.u. (before through Grupo Hispatec Soluciones Globales, SLU.).
(g) Companies sold during 2010.
(h) Indirect shareholding though the company Cimenta2 Gestión e Inversiones, SL.
(i) Indirect shareholding through Sunaria Capital, SLU. transferred to Investments during 2010 as its shareholding was increased to 22.19%.
(j) Company merged with Cimenta2 Gestión e Inversiones, SL (acquiring company).

Changes in shareholdings in 2010 that affect the scope of consolidation are as follows:

Acquisitions or increases in shareholdings in subsidiaries, business combinations andlor investments in associates at 31/12/2010

Name of the entity (or branch of activity) acquired or merged	Category	Effective date of the transaction	Cost (net) of the combination (a)+(b) (Thousands of euros)		% of voting rights acquired	% of total voting rights at the entity after the acquisition
			Amount (net) paid for the acquisition + other costs directly attributable to the combination (a)	Fair value of the equity instruments issued for the acquisition of the entity (b)		
Apartamentos Media Luna, S.A. (1)	Associate	10/09/10	-	-	18.86%	31.36%
Apartamentos Media Luna, S.A. (2)	Associate	13/11/10	-	-	1.77%	33.13%
Apartamentos Media Luna, S.A. (2)	Associate	17/11/10	-	-	8.43%	41.57%
Biocolor, S.L.	Associate	09/02/10	106	-	5.52%	22.19%
Caixa Rural Albalat dels Sorells, C.C.V. (3)	Subsidiary	(**)				
Caixa Rural de Turís, C.C.V. (3)	Subsidiary	(***)				
Caja de Crédito de Petrel, Caja Rural, C.C.V. (3)	Subsidiary	(***)				
Caja Campo Caja Rural, S.C.C. (4)	Subsidiary	(*)				
Caja Rural de Casinos, S.C.C. (4)	Subsidiary	(*)				
Cimenta2 Gestión e Inversiones, S.L.U.	Subsidiary	13/11/10	2,000	-	3.55%	66.26%
Cimenta2 Gestión e Inversiones, S.L.U.	Subsidiary	17/11/10	9,800	-	16.87%	83.13%
Hotel Envía Golf, S.L. (1)	Subsidiary	10/09/10	-	-	12.72%	62.72%
Hotel Envía Golf, S.L. (2)	Subsidiary	13/11/10	-	-	3.54%	66.26%
Hotel Envía Golf, S.L. (2)	Subsidiary	17/11/10	-	-	16.87%	83.13%

(*) 10/12/2009 based on the agreement concluded by the credit institutions and classified as a consolidated group by the Executive Committee at the Bank of Spain
(**) 27102/2010 based on the agreement concluded by the credit institutions and classified as a consolidated group by the Executive Committee at the Bank of Spain
(**) 18/10/2010 based on the agreement concluded by the credit institutions and classified as a consolidated group by the Executive Committee at the Bank of Spain

Decrease in share holdings in subsidiaries, combined business and/or investments in associates or other similar transactions at 31/12/2010

Name of the entity (or branch of activity) sold, spun-off or eliminated	Category	Effective date of the transaction	% of voting rights sold or eliminated	% of total voting rights at the entity after the disposal	Gain/ (Loss) generated (Thousands of euros)
Albabio Andalucia. S.L.U.	Subsidiary	28/07/10	100.00%	-	(2,924)
Cimenta2 Gestión e Inversiones, S.L.U. (1)	Subsidiary	10/09/10	37.28%	62.72%	-
Grupo Inmobiliario Aguamar, S.L. (1)	Subsidiary	10/09/10	24.99%	-	-
Hiposervi, S.L.U.	Subsidiary	18/02/10	100.00%	-	82
Tino Stone Group, S.A. (5)	Associate	28/12/10	0.04%	24.96%	-

(1) Merger of Cimenta2 Gestión e Inversiones, S.L.U. (acquiring company) and Grupo Inmobiliario Aguamar, S.L. (target company) with the consequent transfer of its indire
(2) Increases in indirect share holdings deriving from the increase in the direct share holding in Cimenta2 Gestión e Inversiones, S.L.
(3) Companies integrated into Grupo Cooperativo Cajamar during 2010 in accordance with Note 1.1.
(4) Companies integrated into Grupo Cooperativo Cajamar during 2009 in accordance with Note 1.1.
(5) Dilution of share capital increase.

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

In 2010 there has been a merger between the companies Grupo Cimenta2 Gestión e Inversiones, S.L. (acquiring company) and Grupo Inmobiliario Aguamar S.L. (target company), with the consequent dilution of the 100% direct shareholding held in Cimenta2 Gestión Inversiones, S.L. in 2009 to 62.72%, and the transfer of the indirect shareholdings.

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

The scope of consolidation expanded to include the company Biocolor, S.L. (indirect shareholding through Sunaria Capital, S.L.U.) that was transferred to the permanent portfolio through the increase of its indirect shareholding from 16.67% in 2009 to 22.19% in 2010.

The most relevant exits in year 2010 from the scope of consolidation relate to the sale of Albabío Andalucía, S.L.U. (indirect stake through Sunaria Capital, S.L.U.) and the entire shareholding in the company Hiposervi, S.L.U.

In 2009, Caja Campo Caja Rural, S.C.C. and Caja Rural de Casinos, S.C.C. were included in Grupo Cooperativo Cajamar as described in Note 1.1.

Apart from those mentioned previously, the most significant changes in 2009 affecting the scope of consolidation related to the increases in the shareholdings in the companies Albaida Recursos Naturales y Medioambiente, S.A.U. and Albaida Residuos, S.L.U to 100% of both companies, thereby increasing the indirect shareholding in the subsidiaries of Albaida Residuos, S.L.U. and the increase in the indirect shareholding, through Sunaria Capital, S.L.U., in the company Albabío Andalucía, S.L.U. to 100%.

The relevant exits from the scope of consolidation in 2009 relate to the sale of the entire shareholding in the companies Albaida Recursos Naturales y Medioambiente, S.A.U, and Albaida Residuos, S.L.U., together with their investee companies. The company Eurovía Mantenimiento, S.L.U. was also sold.

In 2009 a simplified merger took place between the companies Grupo Sunaria Capital, S.L.U. (acquiring company) and Grupo Hispatec Soluciones Globales, S.L.U. (target company), with the consequent transfer of the indirect shareholdings. In 2009 there was also a merger between Sunaria Capital, S.L.U. (acquiring company) and its subsidiary Atlas Safety System, S.L.U. (target company).

The company Ecovida, S.L. exited the scope of consolidation and was transferred to the portfolio of financial assets available for sale as the shareholding was reduced from 50% in 2008 to 3.21% in 2009.

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 recognition at the time of acquisition of a "multi-group" company takes place in accordance with the rules indicated above for "subsidiaries", in proportion to the stake held.

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

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

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

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

2.8. Other general principles and environmental information

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

Given the main activity in which the Group companies and Lead Entity are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial situation and results. However, up until 31 December 2009 there were several Group subsidiaries whose corporate purpose includes the optimisation of the use and management of water, the development and implementation of waste management systems, the application of advanced technologies to generate renewable energies, the protection of land and the contribution to rural development, given the corporate purpose of these companies, the majority of the investments and expenses were used to protect and improve the environment. In 2009 the investment in this area totalled 1,127 thousand euros.

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 2010 and 2009.

3. Accounting policies and criteria applied

3.1. Financial instruments

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

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

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

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

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

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

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

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

> Financing granted and received from other credit institutions and customers, regardless of the legal form they take.

> Both debt (debentures, bonds, promissory notes, loans and credit facilities) and equity (shares) instruments.

> Derivatives, in order to provide a profit or loss that allows, if certain conditions are met, to eliminate all or part of the financial risks associated with the Group's balances and transactions.

a) Financial assets

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

Classification of financial assets

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

> "Financial assets at fair value through changes in profit or loss": this financial asset portfolio is further divided into two:

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

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

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

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

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

Measurement of financial assets

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

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

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

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

Changes in fair value that affect "Financial assets stated at fair value" will be recognized 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 recognized by financial markets such as "net present value", models for calculating option prices, etc.

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

Write-off of financial assets from the consolidated balance sheet

Financial assets are eliminated from the Group's consolidated balance sheet when the contractual rights regarding the cash flows have expired or when they are transferred, provided that the transfer includes substantially all risks and benefits or, even if there is no substantial transfer or retention of those items, control over the financial asset is transferred. In the latter case, when control over the asset is not transferred, it will continue to be recognized 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 recognized 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 recognized 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 recognized in "Measurement adjustments" under "Equity" are immediately taken to the consolidated income statement.

Recoveries of impairment losses affecting debt securities are recognized 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 recognized 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 recognized 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 recognized 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

En su reconocimiento inicial en balance consolidado, los pasivos financieros se registran por su valor razonable. Tras su reconocimiento inicial, todos los pasivos financieros se valoran por su coste amortizado, excepto:

> 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 recognized 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 recognized 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 recognized 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 recognized as part of the result deriving from cancellation. If the aforementioned exchange or modification is not recognized 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 recognized 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 recognized 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 recognized 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 recognized in the consolidated income statement.

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

- Differences on exchange are recognized 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 recognized directly under Group equity until the financial asset is eliminated from the consolidated balance sheet.

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

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

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

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

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

d) Reclassification among financial instrument portfolios

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

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

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

   In 2010 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 2010 no reclassification described above took place.

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

   In 2010 no reclassification described above took place.

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

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

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

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

In 2010 no reclassification of financial assets included in the trading portfolio took place.

3.2. Contributions to share capital

Contributions to the share capital o 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 General Assembly of Cajamar held on 28 March 2006 amended the Entity's by-laws to adapt to the new regulatory framework defined in IAS 32 and Bank of Spain Circular 4/2004, and subsequent modifications, such that reimbursements of capital will require the prior authorisation of the Governing Body when, as a result of such reimbursements, share capital falls below 85% of the amount existing on the last day of the immediately preceding month. The same Assembly modified the compensation for capital contributions and the General Assembly has the authority to establish this compensation on an annual basis, although this authority may be delegated to the Governing Body, with the limits and terms deemed appropriate. As a result, given that the reimbursements of contributions that exceed 85% of the capital balance existing on the last day of the immediately preceding month do not require the approval of the governing body, this excess may be classified under "Reimbursable capital in demand" on the liability side of the balance sheet.

The General Assembly of Caja Campo held on 22 June 2006 approved the modification of several articles of the by-laws in order to adapt them to allow the classification of share capital as such, instead of being classified as a financial liability.

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

At 31 December 2010 La Caixa Rural de Albalat considered the amount exceeding 1,052 thousand euros to be a financial liability. This minimum share capital amount, which is not recognised as capital as it is considered to be a financial liability, is the minimum established by the Order issued by the Ministry of Finance on 25 May 1998 which authorises the creation of this credit cooperative, and one of the requirements is that the initial minimum share capital be 1,052 thousand euros, in accordance with the minimum share capital amount established by Article 6 of Law 13/89 (26 May) on Credit Cooperatives and Article 3 of Royal Decree 84/1993 (22 January), which approved the enabling regulations for the aforementioned law.

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

At 31 December 2010 the share capital of Caixa Rural de Turis is 166 thousand euros, fully subscribed and paid in, and is represented by 2,054 and 113 share capital contributions represented by registered shares number sequentially, with a par value of 66.11 euros and 264.44 euros, respectively. The minimum contributions to share capital did not accrue interest in 2010 and 2009, in accordance with the resolutions adopted by the General Assembly, subject to the limits that are established by the legislation in force at any given moment. The total amount of the contributions of a single shareholder to share capital may not exceed 20% of the capital when involving a legal person and 2.50% when involving a natural person.

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

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

3.3. Credit risk hedges and calculation method

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

> Insolvency risk attributed to the customer

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

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

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

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

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

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

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

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

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

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

> Country risk

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

> Foreclosed real estate assets or those received as payment for debts

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

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

In addition, as is mentioned in Note 2.1, the fair value of the loan investment portfolio is recorded in accordance with the assumptions and methods mentioned in that Note.

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 written off the Group's consolidated balance sheet only under the following circumstances:

> When contractual rights over generated cash flows have expired.

> When all contractual rights established to receive generated cash flows are wholly transferred or when, despite maintaining these rights, the contractual obligation to pay them to the ceding party is assumed.

> When, whilst neither transmission nor substantial retention of risks and benefits exists, control of the financial asset has been transferred, following an assessment in accordance with the terms set out below.

The term *transferred financial asset* refers to either all or part of a financial asset or to a 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 (Note 2.6 and 3.23).

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

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

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

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

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

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

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

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

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

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

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

3.9. Intangible assets

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

Computer software acquired

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

Computer software developed internally

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

Administrative concessions

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

Goodwill

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

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

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

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

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

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

Losses for impairment of goodwill it cannot subsequently be reversed.

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

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

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

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

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

3.10. Leases

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

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

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

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

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

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

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

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

3.11. Foreign currency transactions

For the purposes of these consolidated annual accounts, the currency considered for both functional and presentation purposes is the euro; any currency besides the euro is considered to be a foreign currency.

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 2010, the overall amount of assets expressed in foreign currency by the Group totals 47,074 thousand euros (54,856 thousand euros in 2009) and the overall amount of the liabilities items expressed in foreign currency 43,640 thousand euros (51,959 thousand euros in 2009) (Note 6.b.3).

3.12. Other provisions and contingent liabilities

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

> A legal or contractual requirement.

> An implicit or tacit obligation, arising from a valid expectation created by the Group for third parties for the assumption of certain kinds of responsibilities. Such expectations are created when the Group accepts responsibility publicly, and they derive from past conduct or business policies that are public knowledge.

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

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

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

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

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

At the 2010 and 2009 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 Grupo Cooperativo Cajamar does not limit the operation and management of Education and Development Fund to the Governing Body of the lead entity, and this responsibility falls to the Governing Body of each entity forming part of the Group, as follows:

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

> Caja Campo's by-laws stipulate that 10% of the available surplus every year must be allocated to the Education and Development Fund, in accordance with the provisions of Law 13/1989 (26 May) on Credit Cooperatives, partially amended by Law 20/1990 (19 December) on the tax system for Cooperatives.

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

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

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

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

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

3.14. Asset Swaps

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

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

3.15. Minimum capital requirement

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

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

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

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

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

At 31 December 2010 and 2009, the Cooperative Group and the Mixed Group's computable equity exceeded the amount required by those regulations (Note 20).

3.16. Commissions

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

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

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

3.17. Deposit guarantee fund

In accordance with the provisions of Royal Decree 2606/1996 (20 December) on Deposit Guarantee Funds at Credit Institutions, which was amended by Royal Decree 948/2001 (3 August), on investor indemnity systems, the annual contribution to the Deposit Guarantee Fund for Credit Cooperatives is 0.2% of the calculation base formed by guaranteed deposits (creditor balances in accounts plus certificates of deposit and 5% of the listed value on the last trading day of the year on the relevant secondary market for guaranteed securities (negotiable securities and financial instruments on deposit or registered at a credit institution in Spain or in any other country or provided for the purpose of carrying out any investment service) existing at the year end.

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.

Based on the requirements established by the Ministry of Finance for 2010 and 2009, contributions from credit cooperatives to the Deposit Guarantee Fund is set at 0.8 per thousand of the calculation base. This has meant that the Group made contributions in 2010 and 2009 totalling 11,704 thousand euros and 10,066 thousand euros, respectively, and this expense is classified under the heading “Other operating charges” in the accompanying consolidated income statement (Note 25).

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.

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 2010 and 2009 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 recognized as revenues when the right to receive them arises.

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

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

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

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

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

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

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

3.20. Staff costs and post-employment remuneration

Short-term compensation

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

Post-employment remuneration

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

> Defined contribution plan

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

> Defined benefit plan

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

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

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

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

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

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

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

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

Other long-term remuneration for the benefit of employees

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

Severance benefits

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

Pension commitments entered into by the Group

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

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

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

> Widow(er) and orphan benefit included in the collective wage agreement.

> Death or disability for active employees.

> Dedication award.

> Those cases in which the necessary contribution is higher than the limit for pension plans.

> Commitments acquired with Group employees joining from other banks acquired to form part of its branch network and which had been employed by those banks since before 8 March 1980.

As part of its defined contribution commitments, the Group has assumed with Cajamar personnel that have been employed for more than two years or under an indefinite employment contract and not included in the defined benefit retirement pension supplement included in Subplan B of Pension Plan, an annual contribution consisting of 37.5% of the total ordinary payroll salary amount in November, with a minimum of 100% of the monthly base salary amount. With employees of Caja Campo that have voluntarily joined the plan, the obligation to make a monthly contribution and an annual contribution for each participant and month accrued, provided that the results obtained by Caja Campo, before taxes, for the year in question exceed 0.75% of the average customer deposits for that period. With employees of Caixa Rural Albalat with at least two years of employment at the company and which have voluntarily joined the pension plan, there is an obligation to make annual contributions to all participants totalling up to 3% of the entity's net profits, subject to compliance with certain conditions.

The defined benefit commitments taken into consideration are:

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

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

> Death and absolute disability indemnities (21.87 thousand euros), occupational accident (43.74 thousand euros) or severe disability (72.78 thousand euros) for all employees of Cajamar, and accident coverage in accordance with the collective wage agreement for all the Group's other credit institutions.

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

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

At 31 December 2010 and 2009 the Group does not record any severance commitments other than those indicated in the Plan.

On 31 December 2010 and 2009, actuarial studies have been carried out relating to the coverage of the main post-employment compensation, using the projected credit unit calculation method. The main assumptions used in the actuarial studies, both for retired and early-retired personnel are presented in detail below for each credit institution:

Actuarial assumptions adopted for Cajamar Caja Rural Sociedad Cooperativa de Crédito

	2010		2009	
	Active	Early retirement	Active	Early retirement
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only for risk benefit)	Not applicable	Not applicable	Not applicable	Not applicable
Retirement age				
Pension plan	Earliest age	58 +	Earliest age	58 +
Collective Labour Agreement for banks	Earliest age	58 +	Earliest age	58 +
Annual effective technical interest rate				
Pension plan	4.00%	4.00%	4.00%	4.00%
Collective Labour Agreement for banks	4.00%	4.00%	4.00%	4.00%
Yield on assets				
Pension plan	4.00%	4.00%	4.00%	4.00%
Collective Labour Agreement for banks	4.00%	4.00%	4.00%	4.00%
Salary trend (including drifts)	3.50%	3.50%	3.50%	3.50%
Increase in consumer price (CPI)	2.00%	-	2.00%	-
Increase un pensions	75% salary increment	-	75% salary increment	-
Maximum Social Security Pension (in thousands of euros)	34	34	34	34
Annual revaluation of the maximum monthly Social Security pension	1.50%	-	2.00%	-
Annual increase in the Social Security contribution bases	According to IPC	-	According to IPC	-

Actuarial assumptions adopted by Caja Campo, C.R Casinos, C.R Albalat, Caixa Petrer y Caixa Turis

	Assets	
	2010	2009
Mortality tables	PERM/F 2000	PERM/F 2000
Dsability tables	Not applicable	Not applicable
Rotalon tables	Not applicable	Not applicable
Dsc Quntinterest rate	4.10%	4.40%
Inllalon	2.00%	2.00%
Salary increase	3.00%	3.00%
Retirementage	In general, 65 years. For employees paying into the Social Security system belore 1/1/1967, 60 years or the follow ing birthday if that age has already been reached. If the theoretical retirementage based on the above does notgive rise to the collection of a benefit, the age that will give rise to thatrightis taken into consideration, up to a maximum of 70 years	In general, 65 years. For employees paying into the Social Security system belore 1/1/1967, 60 years or the follow ing birthday if that age has already been reached. If the theoretical retirementage based on the above does notgive rise to the collection of a benefit, the age that will give rise to thatrightis taken into consideration, up to a maximum of 70 years
Type 01 group	Closed: no possible future entries of employees into the payroll is taken into account	Closed: no possible future entries of employees into the payroll is taken into account
Capialisation system	Individual capitalisation and prospective method	Individual capitalisation and prospective method
Valuation method	Projected Credit Unit Method	Projected Credit Unit Method
Fluctuation range	Actuarial losses and gains obtained in this manner mustbe assumed as a cost for the year or be amortised in accordance with the fluctuation range method established by Rule 35 of Bank of Spain Circular 4/2004. In the case of Caja Rural de Casinos, the Entity has chosen to amortise the accumulated gains and losses over 5 years and uses a fluctuation range of 10%	Actuarial losses and gains obtained in this manner mustbe assumed as a cost for the year or be amortised in accordance with the fluctuation range method established by Rule 35 of Bank of Spain Circular 4/2004. In the case of Caja Rural de Casinos, the Entity has chosen to amortise the accumulated gains and losses over 5 years and uses a fluctuation range of 10%

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

	Expected return on assets	
	2010	2009
Pension Plan	4.00%	4.00%
Banks	4.00%	4.00%
Early retirement	4.00%	4.00%

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.

3.22. Consolidated cash-flow statement

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

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

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

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

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

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

3.23. Business combinations

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

> Of equity instruments in another company.

> Of all the assets and liabilities of another company, such as in a merger.

> Of a portion of the assets and liabilities of a company that forms a financial units, such as a network of branches.

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

> The size of the participating companies, regardless of its legal status, measured by the fair value of its assets, liabilities and contingent liabilities, in this case the acquiring company will be the larger company.

> The means of payment for the acquisition, in which case the acquiring company will be that which pays cash or other assets.

> The persons in charge of the company's administration resulting from the combination, in which case the acquiring company will be that whose executive team manages the entity resulting from the combination.

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

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

> The cost will be the sum of the fair value of the assets delivered, the liabilities incurred, and any capital instruments issued by the acquiring company together with any fees paid to legal advisors and consultants to carry out the combination. Contracting and issue costs for the financial liabilities and equity instruments are not included.

> The acquiring company will compare the cost of the business combination against the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities recorded by the acquired company and the difference resulting from this comparison will be recognised:

- When positive, such as goodwill in assets which, in any event, will be amortised but on an annual basis will be subjected to the impairment test established in the International Financial Reporting Standards.

- When negative, they will be recognised in the consolidated income statement as revenue under "Negative differences on business combinations", after verification of the fair values assigned to all of the assets and liabilities and the cost of the business combination.

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

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

Merger with Caixa Rural de Balears, Sociedad Cooperativa de Crédito

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

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

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

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

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

Assets

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

Liabilities

Financial liabilities held for trading	43
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at fair value through Equity	582,879
Financial liabilities at amortised cost	-
Hedging derivatives	233
Liabilities associated with non-current assets held for sale	-
Provisions	2,011
Tax liabilities	712
Accrual and deferred income	121
Other liabilities	2,939
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**588,938**

Equity

Valuation adjustments	(1,144)
Own funds	20,228
TOTAL EQUITY	**19,084**
TOTAL LIABLITIES AND EQUITY	**608,022**

MEMORANDUM ITEM

Contingent exposures	69,760
Contingent commitments	27,391
TOTAL MEMORANDUM ACCOUNTS	**97,151**

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

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

The value adjustments made to assets acquired and liabilities assumed through which control was obtained by the Entity are as follows:

	Thousands of euros				
	Book value before value correction (1)	Adjustments made for fair value estimation (2)	Book value after correction	Effect on Equity (3)	Fiscal effect (4)
Loans and receivables	503,149	(31,049)	472,100	(23,172)	7,877
Total	**503,149**	**(31,049)**	**472,100**	**(23,172)**	**7,877**

(1) Includes the carrying value at the Entity before the value correction (active balances, accrued interest, value adjustments due to microhedges, provisions, etc.)
(2) Includes the value corrections that have been identified.
(3) Includes the effect on equity of the value adjustments identified (Note 19).
(4) Includes the tax effect of the value adjustment taken into account in the future as deductible, which has been recognised as a deferred tax liability or asset and, therefore, has not been recorded under equity.

The fair value recognition of the assets was done in accordance with the following assumptions and methods:

> Restatement of the loan investment and guarantee portfolio at 31 December 2010, through the use of reports from third-party independent experts whose conclusions regarding the fair value of that portfolio have been based, among other things, assumptions regarding: defaults, recoverability of non-performing and bad loans, probabilities of non-payment from the portfolio, exposure and severity of the portfolio, segmented by the nature of the financing (developer, land, home, consumption, etc.).

> To calculate the tax effect a tax rate of 25.37% has been assumed on all cases.

3.24. Inventories

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

> Maintains for sale during the ordinary course of its business,

> Is in the process of making, building or developing for such purposes, or

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

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

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

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

3.25. Insurance policies

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

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

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

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

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

3.26. Statement of changes in equity

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

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

Statement of income and expenses recognised

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

Statement of total changes in equity

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

4. Errors and changes in accounting estimates

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

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

> The amount of the correction for each of the headings in the financial statements that are affected in each of the years presented for the purposes of comparison.

> The amount of the correction in the opening balance sheet in the earliest year for which information is presented, and

> The circumstances that make retroactive restatement impractical and a description of how and since when the error has been corrected.

On 29 June 2010, Bank of Spain issued Circular 3/2010, which amended certain aspects of Bank of Spain Circular 4/2004 and subsequent amendments, taking advantage of past experience with the application of the criteria for calculating the impairment of financial assets in an environment as complex as the one in place for the past few years.

The adjustments made mean:

i. The system for estimating the reduction effect of financial asset impairment arising from defaults secured by mortgage guarantees was changed from a system based on the estimation of percentages and schedules segmented by type of assets to a system under which the estimates are made by reducing the value of the guarantees, adjusted by the risk basis, for which certain conditions for these guarantees were established, such as the condition that they be senior.

   The value of these guarantees is estimated by applying certain reductions to the estimate amount in accordance with the uniformity of the guarantees and the various possibilities that they will be resolved in the short-term. These reductions range between 20% for completed homes that are the borrower's primary residence and 50% for plots of land that may be developed.

ii. Secondly, the various schedules for making allocations for doubtful risks arising from defaults have been unified into one, which guarantees full coverage of the credit risk (either through the amount of the loan or doubtful loans, or through the loan after deducting the adjusted value of the guarantees) after 12 months, i.e. the period of time for making provision for the loans is substantially reduced.

iii. Thirdly, ex ante principles are established for risk management, which covers issues such as the proper evaluation of the borrower's generation of cash flows, the role that the guarantees must perform in the analysis of the granting and management of loan transactions, as well as the conditions that must be introduced in the event of financial restructuring.

   These principles and criteria are aligned with the loan risk management policies and procedures that are applied by the Group (Note 6).

iv. Finally, certain presumptions are made with respect to provisions for assets acquired through debt payments, which provides an incentive for searching for management solutions relating to these types of assets that allow the resources invested in them to be quickly released to the benefit of the typical activities carried out by credit institutions.

The Entities and other financial institutions pertaining to the Group apply this Circular since before they joined the Group and therefore the aforementioned changes in estimates included in this standard have not had an impact on the 2010 consolidated annual accounts for the Group.

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 has been no accounting changes that significantly affect the comparability of the annual accounts for 2010 and 2009, except for those mentioned above.

5. Distribution of results

The proposal for distributing the Lead Entity's profits in 2010 that the Governing Body will submit for the approval of the General Assembly, together with that for 2009, is as follows:

	Thousands of euros	
	2010	2009
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax	35,115	69,340
Remainder (Caja Rural de Balears profits not distributed before the mandatory transfer to the Education and Development Fund and after Income Tax)	2,203	-
Interest con capital contributions (Note 18)	(36,632)	(36,581)
Interest on contributions to the capital of Caja Rural de Balears	(1,147)	-
Interest on capital contributions recorded as financial expenses (Notes 18 and 25)	5,428	5,418
Profits from consolidation	60	(2,246)
Total distributable or available surplus (Note 1.4.)	**5,027**	**35,931**
To mandatory reserve fund	4,022	28,744
To voluntary reserve fund	491	1,797
To Education and Development Fund - mandatory transfer (Note 3.14)	514	3,593
To Education and Development Fund - voluntary transfer (Note 3.14)	-	1,797
Total distributed	**5,027**	**35,931**

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

The proposal for 2009 and the subsequent distribution was approved by the General Assembly on 25 March 2010.

6. Risk management

This section is intended to describe the various financial risks faced by the Entity and, as a result, by the Group, deriving from its banking activity as well as the objectives and policies relating to risk management, assumption, measurement and control, including the strategies and processes, the structure and organisation of the relevant risk management unit and hedging policies, broken down for each of the main types of financial instruments or planned transactions for which accounting hedges are used. The new Entities included in the Cooperative Group in 2010 (Note 1.1) maintained, before entering into the group, risk management objectives and policies that do not differ significantly from those applied by Cajamar, the unification and definitive implementation of common policies, according to the provisions of the contractual agreement (Note 1.1) is being carried out gradually. This process, as planned, will be completed in February 2011 with the computer integration of the new participating entities.

a) Credit risk

The growing complexity of the financial business, which is a progressively more competitive environment, and the need to constantly improve the efficiency of the assignment of resources available to the financial activity, make the adequate treatment of the inherent risk in banking activities essential.

Credit risk arises from possible losses caused by the failure of the Group's counterparties to comply with contractual obligations. In the case of refundable financing granted to third parties (in the form of credits, loans, deposits, securities and other) credit risk arises as a consequence of non-recovery of principal, interest and other items in the terms regarding amount, period and other conditions stipulated in the contracts. In the case of off-balance sheet risks, it arises from the failure by counterparties to fulfil their obligations to third parties, thus forcing the Group to assume them by virtue of the commitment undertaken.

The advanced management of credit risk is included in a comprehensive management framework that offers a broad view of each of the risks that affect the banking business.

In 2003 the Group started an "Integral Risk Management" project for credit risk, which has allowed it to gradually integrate a conservative credit policy, although in line with the most modern practices in the sector. To do so the Group has developed credit quality management tools for customers (ratings and scorings).

As may be observed in the main figures in the balance sheet, the Group's credit business focuses on "retail banking". However, to better identify risks, the Group has segmented the portfolio that allows it to make strategic decisions bearing in mind the characteristics of each segment.

It is also important to note the efforts made to provide the Group with a *Procedures and Policy Manual for the Management* and *Control of Credit Risk*. This manual has been updated and adapted to the Group's organisational changes in 2010 through resolutions adopted by the Governing Body, which initially approved the Manual in 2005. Among other things, it includes the principles and criteria that must guide credit risk management. This complies with the provisions of Schedule IX "Credit Risk" of Bank of Spain Circular and subsequent amendments.

The Audit Committee, the Internal Audit area and Credit Risk Control are responsible for ensuring compliance with these policies and procedures is adequate, effectively implemented and reviewed on a regular basis.

a.1.) Credit risk management and measurement

The system of authority and responsibility for the granting of risk operations maintain, by virtue of the manual mentioned above, the following configuration:

a.1.1.) Description of bodies with authority

The bodies with delegated authority to grant credit within their areas are: the Executive Committee, the Investment Committee, Regional Risk Committees, Business Committees, the Employment Financing Committee, the Microloan Committee and branch offices.

a.1.2.) Analysis and approval of credit risk

The Group has established a system for granting credit risk in accordance with the existing system for the delegation of authority, which may be summarised as follows:

> The start of a credit risk transaction involves the recording by the branch office, of all information relating to the loan (personal, guarantees and characteristics of the chosen product), which make up the initial electronic file for the transaction.

> If the parameters of that file exceeds those pre-established for the granting of the loan by the branch office, the transaction is assigned to the body authorised to do so. If that body requires additional information for its analysis, it is requested from the office that initiated the transaction.

> At the branch offices the Director or Controller and eventually the Director of the Region to which the office pertains, is responsible for analysing the transaction before it is carried out.

> For higher-level bodies, it is the Risk Department that carries out this work, reporting any transactions that must be approved by a higher-level body.

a.1.3.) Special system for related parties

> Transactions involving the Governing Bodies and Senior Management

The transactions involving members of the Governing Body or General Management, their spouses, children of relatives to the second degree of consanguinity or affinity, or companies in which they are a board member, director, senior executive or advisor, or hold more than a 5% stake, may only be approved by the Executive Committee.

> Transactions with related parties

Transactions that involve any company in which the Group holds a stake must be resolved by the Investment Committee, unless the amount concerned calls for authorisation from the Executive Committee.

a.1.4.) Overall Risk Management Project (implementation of Basel II)

Credit rating models

Within the framework of the "Overall Risk Management" project, various rating models have been implemented that they cover practically all of the loan portfolio and may be grouped as follows:

> **Admission scoring.** These are models that evaluate proposed loan transactions and which determine whether they are granted or not may be classified as follows:

- **Reactive Scoring,** models that evaluate a specific loan application based on the information provided by the applicant. There are three types:

  - **General Reactive Scoring,** which evaluates the need for family financing and therefore there are specific models depending on the purpose and guarantee for the loan: Mortgage, Consumer and Credit Card.

  - **Reactive Scoring for New Residents,** which are similar to those described above, but specific to this population.

  - **Small Business Reactive Scoring,** which evaluates the granting of financing to entrepreneurs, self-employed and micro-companies.

- ***Proactive Scoring,*** that evaluate the customer's credit quality based on past information regarding that customer and performance available within the Group. They evaluate applications presented by individuals and micro-companies.

- ***Greenhouse Agricultural Operation Scoring,*** which evaluates the credit quality based on information relating to the operation provided by the applicant, as well as past information available in our databases and their performance with respect to our Group.

> **Monitoring Scoring.** These are models to evaluate the customer and/or the operation's credit quality throughout its life. There are types:

- **Customer Monitoring Scoring** which classifies the customer and those for individuals and micro-companies have been developed, and

- **Behaviour or Operation Monitoring Scoring,** which classifies the operation and have been implemented for transactions with individuals and micro-companies.

> **Rating.** These are models to evaluate customer credit quality. They are used when a loan is first examined and when monitoring the corporate segment. There are three types:

- Small business rating

- Large business rating

- Real estate developer rating

In 2010 new credit rating models have been implemented and a series of adjustments and improvements to the implemented model have been made in both the retail and corporate segments.

> **Retail:**

In mid-year the greenhouse agricultural operation scoring became mandatory. In addition to classifying the application, this model reaches conclusions regarding the credit profile and the adequacy of the requested limit. With the addition of this last model, all the admission models applied by the retail segment are fully integrated into the management system and are mandatory for those bodies authorized within the Commercial Network and there is a system for adjusting authorities based on the evaluation of the credit quality resulting from the model.

A monitoring model has been developed for customers with greenhouse agricultural operations together with to monitoring models for operating or behaviour monitoring to evaluate the operations included in the Greenhouse Agriculture Operation portfolio with respect to both the growing season and investments. Is currently being implemented and when it is operating the retail segment will be completely covered by customer and operation monitoring systems.

Over the course of the year the credit rating models for individuals implemented by the Group have been monitored to ensure that they are performing as expected.

As was the case in other years, several commercial campaigns have been carried out to sell asset products supported by the pre-established limits granted by the pro-act scoring system and the greenhouse agriculture operations scoring model has also been used to undertake a commercial campaign covering the sale of growing season financing.

> **Corporate:**

The rating models for small and medium-sized companies have been be estimated together with the expert marketing rating to group them into a single statistical model called the small company rating. Its implementation in September represents a first step towards the integration of the management of that model, consisting of its use when first examining loans and providing conclusions regarding the granting of loans for informational use, as well as to monitor certain customers with respect to the risk policy to be applied to that customer and the monitoring of operations by facilitating the establishment of a risk level for those loans, which is very useful to monitor portfolios.

The databases have been adapted to the new format for financial statements based on the new Spanish General Accounting Plan (NPGC). The transactional system has been adapted to manage the analysis of the NPGC.

> **Improvement that affect both segments:**

Implementation into the system of the reasons for discrepancies between the penalty applied to the operation and the conclusion reached by the model, to deepen the analysis and to work to reduce the discrepancy.

Redefinition of the maximum threshold to grant credit based on the probability of non-payment adjusted to the cycle, made uniform for all models.

A system for reporting the monitoring of credit quality models has been implemented. A report has been generated regarding almost all of the scoring models implemented by the Group.

An automatic reappraisal model for properties (AVM) has been developed to regularly re-evaluate mortgage guarantees.

Quantification of the risk

In 2010 the Group has continued to carry out several activities to continuously improve the quantification of credit risk, for the purposes of extending the framework of knowledge regarding each of the factors that are involved in the calculation.

In order to maintain the adequate quality of the necessary data to design methods, improvements have been made to optimize the databases that support the construction and calibration of models. Similarly, and in order to unify information, the Group has continued with the project to design, develop and implement a credit risk Datamart to support the needs of the various areas of Cajamar that are involved in one way or another in the credit risk area.

The process that are necessary to recalibrate the evaluation models have been carried out, updating the Main Default Trends that have been observed together with the Exposure and Severity factors.

The logic for assigning risk parameters to operations has been developed. Project called “Risk Components” that facilitates the assignment of those components to each operation for various purposes, for example, analysis of portfolios, calculation of Statutory and Financial capital, calculation of RAROC. It has been implemented and is in the test phase.

Advances continue to be made with the integration into the Expected Loss management concept. The operations evaluated by the credit rating models upon first examination of loans include this as an outflow of information and it is used by managers when taking decisions regarding profitability and price compared with the risk involved.

Estimate of Financial Capital

The Group continues to develop an internal method that allows it to estimate the financial capital that is necessary to cover potential unexpected losses. This method is intended to include the characteristics of the portfolio, including specific aspects of the sectors and regions in which the Group has concentrated credit risk.. This capital model is intended to assign a certain amount of financial capital to each of the credit operations in the Group’s portfolio.

Integration into management

In 2010 the Group has continued to carry out action to facilitate the operations carried out by the various agents involved in credit risk management during its daily activities by integrating the credit rating models into the management process.

In the retail portfolio environment, particular care has been taken when approving those transactions that reflect a higher probability of non-compliance and ordinary authorities have been adjusted based on the conclusions reached by the scoring model that have been implemented.

The purpose for all of this action is to present the evaluation models that have been developed to the Regulator, in addition to providing the Group with an overall credit risk management model; two thereby access the calculation of statutory capital through an advanced focus in accordance with the provisions of the New Basel II Agreement.

a.2.) Credit risk control

The Credit Risk Control Area is responsible for:

> Knowing, analyzing and evaluating on a permanent basis Cajamar's exposure to credit risk, together with its financial group, as well as trends affecting this risk to provide alerts regarding any negative developments and warned of the need to change current management policies.

> Control the proper segmentation, internal rating, accounting classification and hedging of the credit exposure borne by Grupo Cooperativo Cajamar.

> Defined a decentralised and supervised preventive monitoring system (based on risk alerts that result in protective action being taken by Grupo Cooperativo Cajamar that are distributed and managed at various levels at the Group, allowing control over the action taken by managers involved).

> Monitor compliance with all of the limits established for credit exposure, whether on the individual or aggregate level, that have been established internally or by the Regulator.

> Prepare and maintain the internal procedures manuals up-to-date with respect to the Organizational Unit.

The Cooperative Group has defined a default monitoring and prevention policy that includes the supervision of groups of risk with "significant exposure", ratings that require special monitoring, sub-prime risk or doubtful loans due to reasons other than default, and those showing non-payment.

a.3) Recovery

The Debts Recovery Area manages all non-payment issues relating to credit transactions and assumes direct responsibility of that management when necessary, together with the supervision and control of these management activities in the pre-litigation stage involving transactions in default.

Credit risk management covers the various stages of the life of the loan and the various customer segments. The risk is managed from the time the loan is first examined and continued monitoring and ends when the amount is recovered. To do so the Entity has the support of tools that allow for the definition, management, monitoring of the action that must be take to adequately manage that risk.

As from the moment in which a credit transaction enters into non-compliance at the Entity, steps must be taken to resolve the situation which initially false to the branch office that has the loan in its balance sheet, supported by specialized Managers located at the Regional Offices and the That Recovery Area provides necessary supervision and control.

After the deadlines established in the Procedures and Policies Manual for the Management and Control of Credit Risk have elapsed, the office must send the file regarding the transaction to the Debt Recovery Units at the Regional Office, which will prepare a claim for the debt, which is sent to the Legal Staff (Litigation) so that the appropriate legal action can be taken, unless a deferral of that action has been authorised. For those cases in which the complexity of the file so requires, the Recovery Units will send the documented files to the Debt Recovery Area which will complete the process and send it to the Legal Staff so that all necessary action can be taken to file a court claim for collection.

The approach to litigation will be determined once all action to resolve the non-performing situation has been taken and an analysis has been carried out regarding any existence of conditions that foresee that the legal action taken against the borrower will result in the recovery of the debt. In cases of fraudulent transactions, regardless of the amount concerned, the viability of civil or criminal action that may result in the collection of the debts will be analysed.

Court procedures initiated with respect to encumbered assets will continue to completion through collection or the auction of the assets and this process will not stop unless an exceptional situation makes this advisable.

a.4) Total exposure to credit risk

The following table shows the Group's total credit risk net of valuation adjustments at the end of 2010 and 2009.

	Thousands of euros	
	2010	2009
Loans and advances to other debtors	25,006,863	24,185,385
Credit institutions	895,279	1,232,264
Debt securities	1,705,324	334,599
Hedging securities	127,979	83,910
Contingent exposures	744,457	738,650
Total Risk	**28,479,902**	**26,574,808**
Credit available to third parties (Note 27)	1,702,680	1,694,400
Maximum exposure	**30,182,582**	**28,269,208**

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" and "Financial assets at fair value through profit or loss" in 2010 and 2009 is as follows:

	2010			2009		
Thousands of euros	Risk	Distribution (%)	Of which: Non-performing assets	Risk	Distribution (%)	Of which: Non-performing assets
Greater than 6,000	3,647,209	14.25%	236,966	3,669,241	14.77%	265,954
Between 3,000 y 6,000	1,253,011	4.89%	87,719	1,184,821	4.77%	70,550
Between 1,000 y 3,000	1,909,541	7.46%	183,320	1,897,828	7.64%	146,673
Between 500 y 1,000	1,475,526	5.76%	123,211	1,489,214	5.99%	115,351
Between 250 y 500	2,663,986	10.41%	150,933	2,696,857	10.85%	130,823
Between 125 y 250	6,813,011	26.61%	244,079	6,518,004	26.23%	212,099
Between 50 y 125	5,811,574	22.71%	131,013	5,322,108	21.42%	122,907
Between 25 y 50	1,089,185	4.25%	22,110	1,077,679	4.34%	29,792
Less than 25	935,809	3.66%	52,712	991,919	3.99%	55,047
Valuation adjustments	(591,989)			(662,287)		
Loans and advances to other debtors	**25,006,863**	**100.00%**	**1,232,063**	**24,185,385**	**100.00%**	**1,149,197**

Bank of Spain regulations governing the degree of risk concentration stipulate that no customer, or group of customers forming a financial group, may reach a risk level exceeding 25% of the Group's equity. Also, the total of all major risks (i.e. those exceeding 10% of the Group's capital) must be less than 8 times its capital. The calculations in this respect are based on the Group's consolidated computable capital used for the purposes of the Bank of Spain capital ratio (Note 20).

In addition, as risk diversification is a guiding element of Cajamar's risk management and control policies, the Group has established limits regarding the concentration of risk that are notably more strict that those required by the Bank of Spain, specifically:

> The risks involving an individual borrower or a group of borrowers forming a risk group may not exceed 10% of the Group's computable equity.

> Furthermore, relevant exposure will be considered to exist in those cases in which the risk involving an individual borrower or a group of borrowers forming a risk group is equal or exceeds 4% of the Group's computable equity. The sum of the relevant risk exposures must be less than 4 times computable equity.

The credit institutions pertaining to Grupo Cooperativo Cajamar, with the exception of the Lead Entity, are individually exempt from compliance with the limits on large risks established by Standard 101 of Bank of Spain Circular 3/2008 and subsequent amendments (Note 1.1).

On 3 August 2009, the Executive Committee adopted a resolution approving an exception to the concentration limits to make deposits at a Spanish credit institution as a counter-guarantee for a guarantee provided to Cajamar for certain securitisation funds. At 31 December the exposure to this Entity is 11.33% of equity.

In November 2010 Cajamar's Executive Committee approved a series of amendments to the Credit Risk Manual that affect, among other things, the definition of the structure and outline of the credit segmentation limits for two reasons: to adapt the structure of segments, portfolios and sub-portfolios to the segmentation required for advanced models under Basel II and to obtain a view of loan investments that is more in line with the portfolio's reality. The application of these criteria to the balances drawn down in loan transactions and contingent risks at 31 December 2010 and 2009 is as follows:

Thousands of euros

	2010		2009	
	Exposure	Distribution (%)	Exposure	Distribution (%)
Retail:	**18,412,573**	**67.98%**	**17,597,245**	**67.23%**
Home:	**12,492,995**	**46.13%**	**12,027,175**	**45.95%**
Normal	11,111,365	41.03%	10,707,972	40.91%
Other uses	1,381,630	5.10%	1,319,203	5.04%
Other financing for families:	**1,067,394**	**3.94%**	**858,044**	**3.28%**
Micro-consumption	63,316	0.23%	105,290	0.40%
Automobiles	233,162	0.86%	235,414	0.90%
Other goods and services	770,916	2.85%	517,340	1.98%
Automatically renewable:	**108,054**	**0.40%**	**108,625**	**0.42%**
Credit cards	83,404	0.31%	88,418	0.34%
Overdrafts	24,650	0.09%	20,207	0.08%
Small businesses:	**3,109,829**	**11.48%**	**3,059,895**	**11.69%**
Business activity of individuals	1,580,923	5.84%	1,582,793	6.05%
Micro-businesses	1,528,906	5.64%	1,477,102	5.64%
Agri-food retail:	**1,634,302**	**6.03%**	**1,543,506**	**5.89%**
Horticulture under plastic	911,536	3.37%	948,556	3.62%
Other agri-food sector	722,766	2.67%	594,951	2.27%
Corporate:	**7,631,509**	**28.18%**	**7,807,020**	**29.83%**
Developers:	**4,165,585**	**15.38%**	**4,582,941**	**17.51%**
Developer	2,473,335	9.13%	2,746,571	10.49%
Land	1,055,149	3.90%	1,139,393	4.35%
Other developers	637,101	2.35%	696,977	2.66%
Corporate agri-food	**1,000,868**	**3.70%**	**917,769**	**3.51%**
Agri-food producer	206,315	0.76%	194,676	0.74%
Agri-food marketer	794,553	2.94%	723,093	2.77%
SMEs:	**1,784,629**	**6.59%**	**1,718,958**	**6.57%**
Small	1,147,584	4.24%	1,006,111	3.85%
Medium	637,045	2.35%	712,847	2.72%
Large businesses:	**680,427**	**2.51%**	**587,352**	**2.24%**
Large businesses:	**455,071**	**1.68%**	**230,127**	**0.88%**
Non-profit organisations:	**222,503**	**0.82%**	**186,259**	**0.71%**
Financial intermediaries:	**361,696**	**1.34%**	**353,913**	**1.35%**
Total Credit Portfolio	**27,083,353**	**100.00%**	**26,174,564**	**100.00%**

Note: the figures relating to the preceding table derive from the information in the possession of the Credit Portfolio Control Area and not the balance sheet figures.

b) Market risk

Market risk consists of the risks arising from possible adverse variations in the interest rates on assets and liabilities, in the exchange rates of the currencies in which the on- (asset and liability) or off-balance sheet aggregates are denominated, and in the market prices of marketable financial instruments.

In 2010 the Balance Sheet Risk Manual was approved: Liquidity and Interest and the Market and Exchange Risk Manual. Both manuals contain the definition of Grupo Cooperativo Cajamar's policies regarding these risks, the bodies responsible for their management and control, the basic procedures for each operation and the limits applicable to both the Cooperative Group and each individual entity.

b.1) Interest rate risk

Exposure to interest rate risk, deriving from the mismatch between the repricing date and the maturity of the various asset and liabilities items, as well as the various markets to which they are referenced, is analysed by the Entity from two perspectives, with respect to the impact on the income statement and the analysis of the Financial Value by using methods widely applied in the financial system.

The Assets and Liabilities Committee (hereinafter COAP), is responsible for designing strategies for optimising the Entity's equity structure by analysing and evaluating the impact of the various policies from both a business point of view, proposing products and strategies for the sales network, and from a market point of view, analysing the effect of possible strategies using fixed income and derivatives instruments.

The Balance Sheet Risk Manual defines the basic principle of applying sale and financial policies that result in minimal exposure to interest rate risk. To meet this objective a system of limits and authorities has been established based on the level of exposure to this risk, which is evaluated by analyzing the impact of a relative decrease in the financial margin at 12 months in the event of sudden and parallel changes of +/-100 basis points in the interest rate curve, discounted by the market.

Impact on the Income Statement:

The sensitivity of the Gross earnings margin is analyzed, both from a that point of view (maintaining the size and structure of the balance sheet) as well as from a dynamic point of view (including budgeted growth in the balance sheet) as a result of the impact resulting from various scenarios of interest rate changes. A 200 basis points increase (2%) 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 -17.61% (-8.61% in 2009).

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 200 basis point increase (2%) in interest rates is -9.24% (-1.35% in 2009).

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

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

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

Note: the figures in the preceding table derive from the information in the possession of the COAP and not the balance sheet figures.
This table does not include the balances relating to the Entities pertaining to the Cooperative Group: Caja Campo Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana.

The following table shows the analysis of interest rate risk that affects the Lead Entity's financial activity at 31 December 2009:

Analysis of interest rate risk from the point of view of financial value at 31 December 2009

Year 2009	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	855,995	498,072	2,819	-	-	1,356,886	16	0.12%	-	1,356,886
Credit market	2,411,065	4,891,307	5,227,880	9,223,480	1,109,571	22,863,303	2,772	1.21%	705,206	23,568,509
Capital market	17,818	29,120	58	3,000	252,540	302,536	81	2.69%	164,992	467,528
Other assets	-	-	-	-	-	-			1,428,186	1,428,186
	3,284,878	**5,418,499**	**5,230,757**	**9,226,480**	**1,362,111**	**24,522,725**	**2,869**	**1.08%**	**2,298,384**	**26,821,109**
LIABILITIES										
Money market	217,316	115,878	222,936	944,536	159,231	1,659,897	126	0.76%	-	1,659,897
Medium and long-term issues	1,403,243	2,725,743	625,000	750,000	2,273,000	7,776,986	807	1.04%	-	7,776,986
Other liabilities	-	-	-	-	-	-	-		2,507,309	2,507,309
Creditors	2,464,658	3,839,041	2,851,271	2,968,980	2,752,966	14,876,917	1,316	0.88%		14,876,917
	4,085,218	**6,680,662**	**3,699,207**	**4,663,516**	**5,185,197**	**24,313,800**	**2,249**	**0.84%**	**2,507,309**	**26,821,109**
Gap	**(800,340)**	**(1,262,163)**	**1,531,550**	**4,562,964**	**(3,823,086)**	**208,925**	**620**	**0.24%**	**(208,924)**	**-**
Gap/Assets (%)	**(2.98%)**	**(4.71%)**	**5.71%**	**17.01%**	**(14.25%)**	**0.78%**				

Note: the figures in the preceding table derive from the information in the possession of the COAP and not the balance sheet figures. These figures do not include the positions relating to the integration of Caja Rural del Duero, Sociedad Cooperativa de Crédito Limitada.

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 COAP.

b.2) Price risk

Price risk is defined as that which arises as a result of changes in market prices either due to specific factors affecting the instrument itself or due to factors that affect all instruments traded on the market.

The Entity has a cash management application connected in real-time to the Reuters financial information system that handles the daily and overall management of risk and allows for the recording, analysis, monitoring and control of all front office, middle office and back office activities.

The cash management activity currently carried out by the Cooperative Group has the sole objective of hedging risk and not taking advantage of business opportunities that are presented by speculative positions. However, the cash management application has a module for analyzing and controlling market risk based on the Value at Risk (VaR) method, through which the maximum loss that may arise with respect to the value of an instrument or a portfolio of instruments deriving from changes in the general conditions of financial markets can be measured.

The analysis of the risk is done by applying a D approach to an analytic model, based on the analysis of past data to calculate volatility and correlations, i.e., a VaR model that uses parameters or a co-variance matrix.

The parameters that define the operation of the model are, with a confidence level of 99%, a time horizon of 1 day and a time window of 1 year, calculating the moving equally weighted averages.

In addition, the application allows for the definition of a limit structure in order to control the level of risk assumed by the Cooperative Group, as well as a series of sub-limits for each portfolio under management and type of product. In turn, this limit structure may include others based on non-statistical measures, such as stop-loss on the cash and capital market positions.

In accordance with the recommendations made by Pillar II of the NACB, the market risk measurement model includes a back testing program in order to guarantee that the risk calculations carried out are ideal, comparing expected results obtained from the VaR method against actual losses.

The model also allows parameters to be applied to stress testing scenarios in order to quantify the maximum potential loss in the value of a portfolio in the event of extreme scenarios of changes in risk factors to which that portfolio is exposed:

> Interest rates: parallel and non-parallel moves in the curve.

> Exchange rates: changes in the euro compared with certain currencies.

> Equities: changes in stock market indexes.

> Volatility.

Due to the composition and nature of the Entity's investment, the market risk to which it is exposed is not considered to be significant.

The Market and Exchange Risk Manual, which is applicable to Grupo Cooperativo Cajamar and to each of the Participating Entities, has the following definitions of basic principles:

> The exposure of GCC to market and exchange risks can never be speculative in nature.

> The contracting of derivative instruments and term transactions in currencies can only be carried out for hedging purposes.

> The acquisition of fixed-income or equity securities can only be made within the management framework for a portfolio.

In addition, the Market and Exchange Risk Manual sets the following market risk limits:

> Limit to the net position of market risk for each of the entities forming part of the Group and the aggregate figure reflected by all of them.

> Limit to the net position of market risk for each equity portfolio, for all of the participating entities and on the aggregate Group level.

b.3) Exchange-rate risk

That 31 December 2010 and 2009 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	
	2010	2009
Assets		
Cash and balances with central banks	1,413	1,040
Loans and advances to credit institutions	41,572	51,763
Other assets	4,089	2,053
Total	**47,074**	**54,856**
Liabilities		
Deposits from other creditors	42,917	51,536
Other liabilities	723	423
Total	**43,640**	**51,959**
Net position	**3,434**	**2,897**
Purchase and sale of foreign currency	**10,127**	**9,380**

The net amount of exchange-rate risks recognized 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 1,628 thousand euros in 2010 (1,609 thousand euros in 2009).

In 2010 and 2009 the Group did not record any "Exchange differences" under the heading "Measurement adjustments" in "Equity".

The Market and Exchange Risk Manual approved this year by Grupo Cooperativo Cajamar establishes specific limits for exchange risk, which are adjusted as strictly necessary to facilitate the operating needs presented by customers:

> Limit to currency exposure.

> Limit to the maximum position in a currency.

> VaR limit to the currency position (expressed in annual terms and with a confidence level of 99%).

c) Liquidity risk

This risk reflects the possible difficulties for a bank to have available, or to have access to, liquid funds, of sufficient amount and at appropriate cost for meeting its payment obligations at all times.

The Assets and Liabilities Committee - COAP - is responsible for optimizing the Entity's liquidity. COAP's management work covers the following duties:

> Analysis of the current situation of equity items.

> Analysis of the foreseeable development of those items with respect to business inertia.

> Expected strategic development: profitability and risk objectives.

> Evaluation of the risks affecting the Entity, paying special attention to interest rates and the price of financial assets.

> Analysis of the evolution of the differentials that are applied compared with the competition.

> Simulation of scenarios, from the most likely to extreme scenarios.

> Continuous monitoring and analysis of variances. Corrective measures.

> Analysis and implementation of legal and regulatory modifications.

> Study of the domestic and international macroeconomic situation as an element that conditions the environment in which the Entity operates.

The Balance Sheet Risk Manual: Interest and liquidity define Grupo Cooperativo Cajamar's basic principles regarding the management of liquidity risk:

> Maintaining a level of liquid assets that is sufficient to attend to the closest maturities of liabilities.

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

> Maintain an adequate diversification of the maturity dates relating to wholesale financing.

> Maintain an adequate reserve of assets that may be easily converted to cash.

> 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.

These principles are specified in a series of Liquidity Risk limits that are reviewed on a regular basis, and which are:

> Limit to the Liquidity Profile Ratio at 6 months.

> Limit to guarantees available in fixed-income portfolios that may be discounted.

> Limit to the Dependence on Wholesale Financing

> Limit to short-term Wholesale Financing

> Limit to the use of the eligible mortgage portfolio

The main instruments, on which liquidity risk management is supported, within the framework of COAP's duties, are:

> **Static liquidity gap:** This is obtained based on the cash flows relating to the Entity's equity figures. These cash flows derive from a static analysis, i.e. in principle only the transactions currently under contract are included.

> **Dynamic liquidity gap:** This is a further evolution of the static gap. To prepare this analysis evolution scenarios are included for the various equity items, using the annual budget prepared by the Entity as a central basis, to the application of rigorous criteria that cover both the past performance of the various equity items on an aggregate basis as well as their seasonality and trends, and the commercial policy divined by the Entity, as well as any options that are basically linked to the application of pre-payment options.

> **Liquidity Profile Ratio (LPR):** This measures the relationship between liquid assets and liabilities that fall due in the short-term. This variable has become one of the parameters of reference for the Entity with respect to liquidity management. The COAP is responsible for establishing the security limits for this variable, and monitors this figure on a daily basis. In addition, the Procedures Manual for the COAP includes the appropriate contingency plans for potential non-liquidity situations.

> **Structure liquidity ratios:** The Entity has implemented various ratios for the analysis and monitoring of its financial structure, paying special attention to wholesale resources in order to maintain an appropriate balance with retail resources and an adequate diversification of sources and instruments, and also avoiding undesired concentrations of maturities of instruments and/or issues within a certain time frame.

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 2010 and 2009 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:

GRUPO COOPERATIVO CAJAMAR

Year 2010

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

Year 2009

	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	166,258	-	-	-	-	-	-	277,317	184	443,759
Loans and advances to credit institutions	564,134	471,414	117,000	55,815	20,000	3,092	-	-	809	1,232,264
Loans and advances to other debtors	840	712,240	680,412	666,239	1,358,212	5,256,764	15,264,322	908,643	(662,287)	24,185,385
Debt securities	-	1,171	2,922	11,133	6,274	300,987	11,749	1,002	(639)	334,599
Rest of assets held to maturity	96	17,452	2	-	354	4,497	46,242	-	-	68,643
Total	**731,328**	**1,202,277**	**800,336**	**733,187**	**1,384,840**	**5,565,340**	**15,322,313**	**1,186,962**	**(661,933)**	**26,264,650**
Liabilities										
Deposits from central banks	-	-	-	500,000	400,000	-	-	-	2,806	902,806
Deposits from credit institutions	19	27,802	34,207	79,892	107,741	301,384	150,743	40,086	4,041	745,915
Deposits from other creditors	6,040,139	1,830,555	2,604,776	2,652,188	2,508,717	951,381	3,518,360	60,536	147,135	20,313,787
Debt certificates including bonds	-	27,695	27,115	3,289	-	2,521,719	-	-	3,380	2,583,198
Subordinated liabilities	-	-	-	-	-	-	299,000	-	(765)	298,235
Rest of liabilities held to maturity	146	90,372	5,753	-	-	-	-	24,675	-	120,946
Total	**6,040,304**	**1,976,424**	**2,671,851**	**3,235,369**	**3,016,458**	**3,774,484**	**3,968,103**	**125,297**	**156,597**	**24,964,887**
Gap (without valuation adjustments)	(5,308,976)	(774,147)	(1,871,515)	(2,502,182)	(1,631,618)	1,790,856	11,354,210	1,061,665		2,118,293
Accumulated gap	(5,308,976)	(6,083,123)	(7,954,638)	(10,456,820)	(12,088,438)	(10,297,582)	1,056,628	2,118,293		

d) Operating risk

The Bank of Spain Guide for the application of the Standard Method when calculating equity and reserves relating to Operating Risk is defined as the risk of loss resulting from an in adequate or failure, of the process, personnel, internal systems or external events. This definition includes legal risk and excludes reputation risk.

Bank of Spain Circular 3/2008, and subsequent amendments, regarding the calculation and control of minimum equity, classifies operating risk into the following categories based on the type of event originating the risk:

> *Internal fraud:* losses deriving from some type of action intended to commit fraud, misappropriate assets or avoid compliance with regulations, laws or business policies, involving at least a representative of senior management, a director or an employee of the credit institutions.

> *External fraud:* losses deriving from some type of action intended to commit fraud, misappropriate assets or avoid compliance with legislation by third-parties outside of the credit institutions.

> *Employment relations and occupational safety:* losses deriving from actions that violate legislation or employment agreements regarding employment, occupational safety or hygiene at work, as well as those deriving from personal injury or psychological claims, including those relating to harassment and discrimination.

> *Customers, products and business practices*: losses deriving from the involuntary, negligent or culpable failure to comply with a professional obligation with respect to specific customers, including the failure to comply with fiduciary requirements and the adequacy, or the nature or design, of a product.

> *Damage to property, plant and equipment*: losses deriving from damage or harm caused to property, plant and equipment as a result of natural disasters or other events.

> *Business and system failures:* losses deriving from business and system failures.

> *Execution, delivery and management of processes: losses deriving from errors in the processing of transactions or in the management of processes, as well as relationships with commercial and supplier counterparties.*

After having received authorization from the Bank of Spain to create an SIP, in 2010 the Group has worked with the Lead Entity's Operating Risk Control office to define, develop and implement a specific method for measuring and managing this risk, them led to that implemented by the Lead Entity that will be applicable to the entire Grupo Cooperativo Cajamar. The organizational structure defined guarantees the basic principles established by the Basel Committee on Banking Supervision:

> Independence of the Operating Risk Unit at the business unit, that will be reviewed by the Supervisor (Pillar II).

> Involvement of Senior Management in the definition of risk management strategies.

> Involvement of the Lead Entity's Internal Audit bodies in the supervision of operating risk management.

The Lead Entity, aware of the importance that adequate operating risk management and control has at a strategic level, chose to implement an advanced operating risk management model (AMA).

This choice is due to the fundamental objective of improving the quality management of processes in which the Lead Entity is involved (internal and external), providing information regarding operating risks, defining and developing measures for mitigating, managing and controlling debt risk.

This main objective may be subdivided into the following categories:

> Promote a culture of operating risk management within the Group, particularly with respect to awareness of risk, responsibility and commitment to quality.

> Comply with the regulatory framework and optimize the alignment of capital.

> Establish systems to continuously improve the Group's processes from in operating risk point of view and develop controls that allow for the mitigation of any potential exposure to risk.

Grupo Cooperativo Cajamar applies the basic indicator method with respect to the calculation of capital requirements for operating risk in 2010 to all of the entities forming part of the Group.

Grupo Cooperativo Cajamar plans to apply throughout 2011 the processes necessary to comply with the regulatory requirements that allow it to apply a standard approach to the calculation of capital requirements.

e) Fair value of financial instruments

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

Fair value of financial assets

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

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

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

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

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

Fair value of financial liabilities

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

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

Measurement of financial instruments at fair value:

The 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 that 31 December 2010, broken down by class of financial assets and liabilities and the following levels:

> Level 1: Financial instruments whose fair value has become impaired, taking into account their listed prices on active markets without making any changes to those prices.

> Level 2: Financial instruments whose fair value has been estimated based on listed prices on organized markets for similar instruments or through the use of other measurement techniques in which all of the significant inputs are based on market information that is directly or indirectly observable.

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

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

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

	Thousands of euros				
			Fair value hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Financial liabilities held for trading	836	836	46	747	43
Other financial liabilities at fair value through profit and loss	-	-	-	-	-
Financial liabilities at amortised cost	26,999,726	26,999,726	-	278,393	26,721,333
Hedging derivatives	16,368	16,368	158	15,977	233
Total Liabilities	**27,016,930**	**27,016,930**	**204**	**295,117**	**26,721,609**

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 2010 and 31 December 2009, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros				
	2010				
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Financial assets					
Type/Category					
Loans and advances to credit institutions	-	-	-	895,279	-
Loans and advances to other debtors	-	24,513	-	24,982,350	-
Debt securities	-	1,635	1,566,240	-	137,449
Equity instruments	-	-	143,260	-	-
Trading derivatives	9,466	-	-	-	-
Total	**9,466**	**26,148**	**1,709,500**	**25,877,629**	**137,449**

	2009				
Financial assets					
Type/Category					
Loans and advances to credit institutions	-	-	-	1,232,264	-
Loans and advances to other debtors	-	20,658	-	24,164,727	-
Debt securities	-	-	305,189	2,597	26,813
Equity instruments	-	-	126,303	-	-
Trading derivatives	4,120	-	-	-	-
Total	**4,120**	**20,658**	**431,492**	**25,399,588**	**26,813**

Details of the carrying value of the Group's financial liabilities at 31 December 2010 and 31 December 2009, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros		
	2010		
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial liabilities at amortised cost
Financial assets			
Type/Category			
Deposits from central banks	-	-	400,100
Loans and advances to credit institutions	-	-	1,224,778
Deposits from other creditors	-	-	21,714,284
Debt certificates including bonds	-	-	3,315,595
Trading derivatives	836	-	-
Subordinated liabilities	-	-	160,117
Short positions	-	-	-
Other financial liabilities	-	-	184,852
CONSOLIDATED TOTAL	**836**	**-**	**26,999,726**

	2009		
Financial assets			
Type/Category			
Deposits from central banks	-	-	902,806
Loans and advances to credit institutions	-	-	745,915
Deposits from other creditors	-	-	20,313,877
Debt certificates including bonds	-	-	2,583,198
Trading derivatives	511	-	-
Subordinated liabilities	-	-	298,235
Short positions	-	-	-
Other financial liabilities	-	-	147,686
CONSOLIDATED TOTAL	**511**	**-**	**24,991,717**

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 2010 and at 31 December 2009 is as follows:

	Thousands of euros	
	2010	2009
Cash on hand	**165,603**	**166,258**
Bank of Spain:		
Assets purchased under resale agreements	-	-
Rest of deposits	42,904	277,317
Other central banks	**-**	**-**
Valuation adjustments:		
Accrued interest	209	184
Micro-hedging operations	-	-
Other	-	-
Total	**208,716**	**443,759**

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.c 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 2010 and 2009.

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	
	2010	2009	2010	2009
Deposits from central banks	-	-	-	-
Loans and advances to credit institutions	-	-	-	-
Loans and advances to other debtors	-	-	-	-
Deposits from other creditors	-	-	-	-
Debt securities	-	-	-	-
Debt certificates including bonds	-	-	-	-
Equity instruments	-	-	-	-
Trading derivatives	9,466	4,120	836	511
Short positions	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**9,466**	**4,120**	**836**	**511**

In accordance with the matters indicated in Note 3.1, traded derivatives are classified in the trading portfolio and, as such, are measured at fair value, recording any changes that may arise in their fair value directly in the consolidated income statement.

The notional values and the fair values of financial derivatives accorded under “Traded Derivatives) at 31 December 2010 and 31 December 2009 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:

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO
AND ENTITIES FORMING GRUPO COOPERATIVO CAJAMAR
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	Thousands of euros					
	Notional		Fair value			
			Assets		Liabilities	
By type of market	2010	2009	2010	2009	2010	2009
Official markets	**3,999**	**4,163**	**-**	**-**	**-**	**-**
Financial futures:	3,999	4,163	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	3,999	4,163	-	-	-	-
Options:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Other products:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Unofficial markets	**6,009,208**	**6,023,367**	**9,466**	**4,120**	**836**	**511**
Total	**6,013,207**	**6,027,530**	**9,466**	**4,120**	**836**	**511**
By type of product						
Foreign currency forward transactions:	-	-	-	-	-	-
Purchase	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Purchase of currencies against currencies	-	-	-	-	-	-
Forward rate agreements (FRA)	**-**	**-**	**-**	**-**	**-**	**-**
Swaps	**5,856,211**	**6,022,147**	**8,982**	**4,095**	**395**	**511**
Options:	**152,997**	**1,220**	**484**	**25**	**441**	**-**
Purchased	79,937	1,001	484	25	-	-
Sold	73,060	219	-	-	441	-
Other products:	**3,999**	**4,163**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-
Sold	3,999	4,163	-	-	-	-
Total	**6,013,207**	**6,027,530**	**9,466**	**4,120**	**836**	**511**
By counterparty						
Resident credit institutions	772,952	534,764	9,279	4,117	393	508
Non-resident credit institutions	-	-	-	-	-	-
Other resident financial entities	4,694,343	4,977,854	10	-	-	3
Other non-resident financial entities	459,602	514,451	-	-	-	-
Rest of resident sectors	86,310	461	177	3	443	-
Rest of non-resident sectors	-	-	-	-	-	-
Total	**6,013,207**	**6,027,530**	**9,466**	**4,120**	**836**	**511**
By term to maturity						
Up to 1 year	30,499	4,947	5	28	70	3
Between 1 and 5 years	140,667	51,663	379	482	409	508
More than 5 years	5,842,041	5,970,920	9,082	3,610	357	-
Total	**6,013,207**	**6,027,530**	**9,466**	**4,120**	**836**	**511**
By type of risk						
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	6,001,417	6,002,606	9,377	3,613	790	49
Share risk	11,790	24,924	89	507	46	462
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**6,013,207**	**6,027,530**	**9,466**	**4,120**	**836**	**511**

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	
	2010	2009
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	24,513	20,658
Debt securities	1,635	-
Equity instruments	-	-
Total	**26,148**	**20,658**

a) Customer loans

The breakdown of this heading in the accompanying consolidated balance sheets is indicated below, in accordance with the type and status of the loan and the sector in which the counterparty operates:

	Thousands of euros	
	2010	2009
Por type and credit situation:		
Portfolio	-	-
Deudores con garantía real	-	-
Other debtors	-	-
Debtors	-	-
Other financial assets	24,513	20,658
Valuation adjustments	-	-
Total	**24,513**	**20,658**
By sectors:		
Spanish Public Administration	-	-
Other resident sectors	24,513	20,658
Non-resident public administrations	-	-
Other non-resident sectors	-	-
Total	**24,513**	**20,658**

The amount recognized under this heading of the accompanying consolidated balance sheet set 31 December 2010 and 31 December 2009, includes the variable price relating to the sale of Cajamar Vida, S.A. (Note 11).

b) Debt securities

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

	Thousands of euros	
	2010	2009
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	1,635	-
Other resident sectors	-	-
Non-resident Public Administrations	-	-
Other non-resident sectors	-	-
Non-performing assets	-	-
Valuation adjustments	-	-
Total	**1,635**	**-**

That 31 December 2010 the balance under "Debt securities", totalling 1,463 thousand euros have been provided to secure transactions carried out with other credit institutions.

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2010 and 2009, are as follows:

	Thousands of euros	
	2010	2009
Opening balance:	**-**	**-**
Additions	-	-
Incorporation of Entities of Grupo Cooperativo	1,635	-
Sales, depreciation and amortisation	-	-
Portfolio adjustment cost	-	-
Valuation adjustments	-	-
Closing balance:	**1,635**	**-**

7.4. Available-for-sale financial assets

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

	Thousands of euros	
	2010	2009
Debt securities	1,566,240	305,189
Other equity instruments	143,260	126,303
Total	**1,709,500**	**431,492**

a) Debt securities

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

	Thousands of euros	
	2010	2009
Central banks	-	-
Spanish Public Administrations	707,892	3,461
Credit institutions	582,579	23,767
Other resident sectors	270,047	273,415
Non-resident public administrations	2,502	975
Other non-resident sectors	3,487	4,210
Non-performing assets	-	-
Valuation adjustments:		
Asset impairment adjustments (Note 25)	(267)	(639)
Total	**1,566,240**	**305,189**

At 31 December 2010 the balance "Debt securities" totalling one 161,722 thousand euros were pledged under a loan agreement that encumber securities and other assets concluded with the Bank of Spain. At 31 December 2009 the balance "Debt securities" did not include any pledged amounts (Notes 7.7.a).

The interest accrued in 2010 and 2009 relating to debt securities totalled 19,741 thousand euros and 5,799 thousand euros, respectively (Note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Opening balance	**305,189**	**30,852**
Purchases	2,042,935	359,226
Sales, depreciation and amortisation	(842,397)	(115,455)
Incorporation Caixa Rural de Balears	70,277	-
Portfolio adjustment cost	(3,651)	448
Incorporation Entities Grupo Cooperativo	2,563	25,324
Accrued interests	13,249	3,803
Adjustments in Equity valuations	(22,387)	1,603
Asset impairment adjustments	462	(612)
Closing balance	**1,566,240**	**305,189**

The most significant movements in 2010 and 2009 relate to the acquisition and subsequent sale of Government Bonds, Public Debt and fixed-income securities issued by credit institutions.

Details of the remaining term until maturity of this heading is described in Note 6.c 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 2010 and 31 December 2009 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousands of euros	
	2010	2009
From credit institutions	31,770	30,790
Incorporation Caixa Rural de Balears	1,955	-
From other resident sectors	107,042	95,513
Incorporation Entities Grupo Cooperativo	2,493	-
From non-residents	-	-
Total	**143,260**	**126,303**

At the end of the years 2010 and 2009 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:

	2010		2009	
	Thousands of euros	% of total	Thousands of euros	% of total
Quoted:	**16,509**	**11.52%**	**13,646**	**10.80%**
Cost	15,480	10.82%	14,354	11.36%
Equity valuation adjustments	1,036	0.72%	(708)	(0.56%)
Valuation adjustments through profit and loss	(7)	-	-	-
Impairment adjustments	-	-	-	-
Unquoted:	**126,751**	**88.48%**	**112,657**	**89.20%**
Cost	134,118	93.62%	119,218	94.39%
Equity valuation adjustments	(3,918)	(2.73%)	(4,323)	(3.42%)
Impairment adjustments	(3,449)	(2.41%)	(2,238)	(1.77%)
Total	**143,260**	**100.00%**	**126,303**	**100.00%**

In 2010 and 2009 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	
	2010	2009	2010	2009
Opening balance	**13,646**	**12,888**	**114,885**	**114,315**
Additions	5	-	16,456	13,020
Disposals	-	-	(2,937)	(900)
Transfers	-	-	(426)	6
Incorporation cost Caixa Rural de Balears	531	-	3,180	-
Equity valuation adjustments	1,330	758	(3,972)	(18,955)
Incorporation cost Caixa Rural de Balears	(169)	-	906	-
Incorporation Entities Grupo Cooperativo Cajamar	1,166	-	2,108	7,399
Closing balance	**16,509**	**13,646**	**130,200**	**114,885**

The most significant additions in 2010 relating to unlisted securities name me relate to the acquisition of shares in the company Autopista del Sureste, C.E.A., S.A. totalling 9,136 thousand euros and contributions to venture capital funds and companies totalling 2,710 thousand euros as well as the share capital increases carried out by the companies Metro de Málaga, S.A. and Autopista del Sureste, C.E.A., S.A. totalling 1,896 thousand euros and 1,356 thousand euros, respectively. All other additions relate to various acquisitions and share capital increases in companies and represent a total amount of 1,358 thousand euros.

Transfer movements in 2010 relate to the company Biocolor, S.L. which, due to the fact that the share capital percentage increased to 22.19%, has been transferred to the long-term portfolio.

The most significant elimination in 2010 relating to unlisted securities relate to the sale of Jorsu Catalana, S.A. for 2,524 thousand euros and the reimbursement for shares in the company Caja Rural de Zamora, S.C.C. totalling 377 thousand euros. All other disposals relate to various reimbursements and divestments totalling 36 thousand euros.

The most relevant movements in addition to and 2009 related to unlisted securities and mainly recorded the acquisition of shares in the company Metro de Málaga, S.A. totalling 8,743 thousand euros and the company Unión de Empresarios Murcianos, S.G.R. for a total of 1,241 thousand, as well as contributions to venture capital funds and companies totalling 1,758 thousand euros. All other additions relate to various share capital increases in companies and represent a total amount of 1,278 thousand euros.

The most significant eliminations in 2009 relating to unlisted securities relate mainly to the reimbursement for shares in venture capital companies totalling 224 thousand euros and the reimbursement for shares in the company Caja Rural de Zamora, S.C.C. totalling 377 thousand euros. All other disposals relate to various divestments totalling 299 thousand euros.

In 2010 and 2009 the Group recorded investments classified under the heading "Available-for-sale financial assets" at cost totalling 6,345 thousand euros and 5,641 thousand euros, respectively, as their fair value could not be reliably determined.

In 2010 the investments classified in the portfolio "Available-for-sale financial assets" that the Entity recognized at cost represented 4.44% of the entire portfolio (5.35% in 2009).

The yield from "Equity instruments" at 31 December 2010 and 2009 totalled 2,016 thousand euros and 1,795 thousand euros, respectively (Note 25).

c) Impairment losses

The breakdown of impairment losses booked at year end in 2010 and 2009 for assets under the "Avaible-for-sale assets – Debt securities" caption is as follows:

	Thousands of euros	
	2010	2009
Provision opening balance	**(639)**	**(27)**
Provisions charged to profit and loss (Note 25)	462	(612)
Recovered funds	-	-
Write-offs due to use and other	-	-
Transfers	-	-
Incorporation impairment Entities Grupo Cooperativo Cajamar	(90)	-
Provision closing balance	**(267)**	**(639)**

The breakdown of impairment losses booked at year end in 2010 and 2009 for assets under the "Avaible-for-sale assets – Equity instruments" caption is as follows:

	Thousands of euros	
	2010	2009
Provision opening balance	**(2,228)**	**(1,908)**
Provisions charged to profit and loss (Note 25)	(539)	(172)
Recovered funds	-	-
Write-offs due to use and other	275	57
Transfers	-	(205)
Incorporation impairment Entities Caixa Rural de Balears	(1)	-
Incorporation impairment Entities Grupo Cooperativo	(944)	-
Provision closing balance	**(3,437)**	**(2,228)**

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 2010 and 2009, the details of these variations on the consolidated balance sheets are as follows:

	Thousands of euros	
	2010	2009
Debt securities	**(19,055)**	**(593)**
Capital gains/losses	(24,866)	(790)
Tax effect (Note 24)	5,811	198
Other equity instruments:	**(2,073)**	**(1,588)**
Capital gains/losses	(2,889)	(2,269)
Tax effect (Note 24)	816	680
Capital gains/losses on the available-for-sale assets portfolio	**(21,128)**	**(2,181)**
Capital gains/losses on entities accounted for by the equity method	**(1,066)**	**(865)**
Total valuation adjustments	**(22,194)**	**(3,046)**

7.5. Loans and receivables

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

	Thousands of euros	
	2010	2009
Loans and advances to credit institutions	895,279	1,232,264
Loans and advances to other debtors	24,982,350	24,164,727
Debt securities	-	2,597
Total	**25,877,629**	**25,399,588**

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	
	2010	2009
By type (assets)		
Nostro/vostro accounts	**-**	**77,653**
Term deposits	**450,086**	**597,902**
Hybrid financial assets:		
With guaranteed capital	-	-
With embedded credit derivative	-	-
Other	233	-
Assets purchased under resale agreements	**-**	**-**
Other deposits	**404,431**	**524,956**
Non-performing assets:		
Resident credit institutions	-	-
Non-resident credit institutions	-	-
Other financial assets (checks drawn on credit institutions)	**39,965**	**30,944**
Valuation adjustments:		
Asset impairment adjustments	-	-
Accrued interest:		
Resident institutions	564	809
Non-resident institutions	-	-
Total	**895,279**	**1,232,264**

Details of the remaining terms until maturity of this heading are described in Note 6.c 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	
	2010	2009
By credit type and status		
Commercial loans	394,683	391,250
Secured loans	19,608,536	19,073,099
Assets purchased under resale agreements	-	-
Hybrid financial assets	-	-
Other term debtors	3,661,806	3,509,954
Lease financing	143,344	161,650
Loans on demand and others	482,711	488,344
Non-performing assets	1,232,063	1,149,197
Valuation adjustments	(591,989)	(662,287)
Other financial assets:		
Financial guarantee commissions (Notes 3.6)	*9,559*	*9,848*
Other assets	*41,637*	*43,672*
Total	**24,982,350**	**24,164,727**
By sector:		
Spanish public administration	436,374	232,404
Other resident sectors	24,332,318	23,709,685
Non-resident public administrations	-	-
Other non-resident sectors	213,658	222,638
Total	**24,982,350**	**24,164,727**
By interest rate type:		
Fixed	2,963,133	2,168,748
Variable	22,019,217	21,995,979
Total	**24,982,350**	**24,164,727**

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.c regarding liquidity risk.

b.1.) Measurement adjustments

Details of measurement adjustments made on transactions classified as "Loans and receivables to other debtors" are as follows:

	Thousands of euros	
	2010	2009
Valuation adjustments:		
Asset impairment adjustments	(578,652)	(647,461)
Accrued interest	98,249	91,065
Micro-hedging operations	-	-
Assets at fair value	(3,091)	(3,162)
Acquisition premiums/discounts	(17,711)	(18,512)
Fees and commissions	(90,784)	(84,217)
Transaction costs	-	-
Total	**(591,989)**	**(662,287)**

b.2.) Matured assets not impaired

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

	Thousands of euros			
Year 2010	Less than one month	Between 1 and 2 months	Between 2 and 3 months	Total
Unsecured transactions	63,372	15,813	10,418	89,603
Secured transactions on finished housing	4,727	2,121	3,962	10,810
Other secured transactions	19,558	31,870	11,215	62,643
With partially pledged collateral	367	58	76	501
Total	**88,024**	**49,862**	**25,671**	**163,557**

	Thousands of euros			
Year 2009	Less than one month	Between 1 and 2 months	Between 2 and 3 months	Total
Unsecured transactions	53,487	15,814	14,342	83,643
Secured transactions on finished housing	2,631	1,969	3,060	7,660
Other secured transactions	28,356	34,982	18,667	82,005
With partially pledged collateral	741	184	109	1,034
Total	**85,215**	**52,949**	**36,178**	**174,342**

b.3.) Impaired assets

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

	Thousands of euros					
Year 2010	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Transactions without risk	1,728	-	-	-	-	1,728
Unsecured transactions	-	40,782	13,184	14,155	73,246	141,367
Transactions with guarantee on finished households first residence	-	19,049	19,254	23,618	235,054	296,975
Transactions on land, and other real estate	-	54,045	8,734	9,424	113,505	185,708
Transactions with guarantee on finished households	-	60,444	36,245	39,598	145,337	281,624
Transactions on land, and other fixed assets	-	73,058	18,980	25,090	207,435	324,563
Operations with pledged collateral	98	-	-	-	-	98
Total	**1,826**	**247,378**	**96,397**	**111,885**	**774,577**	**1,232,063**

	Thousands of euros					
Year 2009	Without fixed term	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Transactions without risk	14	-	-	-	-	14
Unsecured transactions	-	73,244	21,310	50,160	167,585	312,298
Transactions with guarantee on finished households first residence	-	25,870	20,041	28,757	165,257	239,926
Transactions on land, and other real estate	-	14,885	9,688	16,343	46,592	87,508
Transactions with guarantee on finished households	-	25,682	12,194	13,293	127,411	178,580
Transactions on land, and other fixed assets	-	68,569	19,057	28,586	214,554	330,766
Operations with pledged collateral	105	-	-	-	-	105
Total	**119**	**208,250**	**82,291**	**137,139**	**721,398**	**1,149,197**

The amount of accumulated accrued financial income on customer loans that are impaired and recognized in the consolidated income statement, before their impairment, totalled 7,980 thousand euros and 5,999 thousand euros in 2010 and 2009, respectively

b.4.) Transfer and disposal of financial assets from the balance sheet (Securitisation and Transformations)

In 2010 and in prior years, 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. That 31 December 2010 and 31 December 2009, the active balance of these transactions was as follows:

	Thousands of euros	
	2010	2009
Securitisation of assets:		
Balance sheet write-offs:	**606,757**	**673,794**
Mortgage loans granted to securitisation funds	539,262	604,905
Other transfers to credit institutions	67,495	68,889
Held on the balance sheet:	**1,875,084**	**1,905,156**
Mortgage loans granted to securitisation funds	1,875,084	1,905,156
Other transfers to credit institutions	-	-
Total	**2,481,841**	**2,578,950**

The commissions deriving from securitized assets eliminated from the consolidated balance sheet and which relate to all securitizations prior to one January 2004 have been recorded under the heading "results on financial transactions (net)" in the consolidated income statements for 2010 and 2009 at 9,191 thousand euros and 11,935 thousand euros, 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 1,914,177 thousand euros and 2,047,180 thousand euros, respectively, under the heading "Shares issued" (Notes 7.7.c).

The Lead Entity 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. The breakdown of the aforementioned transactions that have given rise to the transformation of loan investments into fixed-income securities is as follows:

	Thousands of euros	
	2010	2009
Converted assets		
Lending operations	4,854,776	5,161,896

Of the aforementioned 4,854,776 thousand euros in securitisation bonds existing at 31 December 2010 (5,161,896 thousand euros at 31 December 2009), 3,359,650 thousand euros (3,890,209 thousand euros at 31 December 2009) (Note 7.7.a) were pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Bank of Spain, under which the Entity has obtained financing totalling 400,000 thousand euros (900,000 thousand euros at 31 December 2009) (Note 7.7.a).

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	
	2010	2009
Loans and credit as collateral		
Asset securitisation collateral	1,875,084	1,857,930
Asset conversion collateral	4,854,806	5,161,896
Covered bond collateral	4,583,850	3,703,540
Total	**11,313,740**	**10,723,366**

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 2010 and 2009, which totalled 3,667,080 thousand euros and 3,333,519 thousand euros, respectively (Notes 7.7.c and 7.7.d).

b.5.) Information regarding the financing of the acquisition of homes and construction and real estate development

Details of construction and real estate development risk as at 31 December 2010 are as follows:

	Thousands of euros		
	Total (gross)	Excess over value of guarantee	Specific hedging
Credit registered by Group credit institutions (in Spain)	**3,605,901**	**591,272**	**217,843**
Of which: doubtful	471,828	151,765	153,440
Of which: Substandard	404,176	77,690	64,403
Memorandum:			
Total generic hedging	-	-	78,429
Written-off assets (total businesses)	48,537	-	-

	Thousands of euros
	Carrying value
Total loans to clients excluding Public Administrations (businesses in Spain)	24,545,976
Total consolidated assets (total businesses)	29,809,468

The classification by guarantees associated to financing as at 31 December 2010 is as follows:

	Thousands of euros
	Total (gross)
Without mortgage secured loans	**47,576**
With mortgage secured loans	**3,558,325**
Finished buildings	*1,693,826*
Households	1,581,615
Other finished buildings	112,211
Buildings under construction	*865,340*
Households	790,856
Other buildings under construction	74,484
Land	*999,159*
Land for development	522,787
Other land	476,372
Total	**3,605,901**

Details of credits to individuals financing the acquisition of homes as at 31 December 2010 are as follows:

	Thousands of euros	
	Total (gross)	Of which: doubtful
Credit for the acquisition of housing	**11,746,560**	**289,493**
Without mortgage secured loans	639	37
With mortgage secured loans	11,745,921	289,456

The intervals of Loan to Value (LTV) for the credits to individuals with mortgage as at 31 December 2010 are as follows:

	Ranges of LTV			
	LTV ≤ 50%	50% < LTV ≤ 80%	80% < LTV ≤ 100%	LTV > 100%
Credit for the acquisition of housing with mortgage secured loans	**3,128,349**	**7,569,861**	**741,282**	**306,429**
Of which: doubtful	27,158	157,569	70,696	34,033

b.6.) Information required by Law 2/1981 (25 March) on Mortgage Market Regulations

In accordance with the provisions of Royal Decree 716/2009 (24 April) (Note 1.4), which enables Law 2/1981 (25 March), the Group's Governing Body states that there are express policies and procedures in place that cover all the relevant aspects relating to its activities in the mortgage market and that those policies and procedures guarantee compliance with applicable legislation.

The general policies governing the admission of loan transactions cover the following issues, among others:

> The criteria to consider that a risk is sufficiently guaranteed based on the type of guarantee concerned.

> The maximum amounts of financing with respect to the value of property used as a guarantee, making a distinction based on the type of asset concerned.

> The rules for calculating the value of the assets, among which a requirement is that the appraised value of property must be certified by an appraiser approved by the Entity.

> Requirements that must be met by an appraisal company to be certified by the Group.

> The rules for measuring the payment capacity of borrowers, among which the following are notable due to their prudence:

- Those that take into account any increases in instalments due to the development of interest rates.

- Those that eliminate initial payment facilities included in certain products, such as grace periods or increasing repayment systems.

> The thresholds for admitting loan transactions, which take into account the results of the evolution of payment capacity.

> The documentation necessary to process loan transactions, which must include, among other things:

- Information regarding the net worth of the parties involved in the operation.

- Financial information that allows the capacity to generate resources by the parties concerned to be determined.

The general liquidity risk management and control policies include rules that guarantee the existence of sufficient liquidity to cover the Group's payment obligations at all times.

At 31 December 2010 and 31 December 2009, the nominal amount of mortgage securities and mortgage bonds issued by the Group totalled 2,250,000 thousand euros and 1,171,529 thousand euros, respectively (Notes 7.7.c and 7.7.d). The outstanding nominal value of the mortgage loan portfolio that has not been securitized is set out below for the years ended 31 December 2010 and 31 December 2009, as well as the outstanding nominal value of mortgage loans that comply with the requirements to be eligible to back those mortgage bonds.

	Thousands of euros	
	2010	2009
Nominal value of loans and mortgage credits in portfolio pending amortization	**14,080,160**	**13,475,526**
Of which:		
Eligible loans and mortgage credits	10,316,959	10,039,195
Non-eligible loans a mortgage credits	3,763,201	3,436,331
Of which:		
Loans and credits eligible to hedge issuance of mortgage securities	8,230,925	6,525,966
Nominal value of available balances	**447,132**	**706,506**
Of which:		
Eligible	377,015	636,007
Not eligible	70,117	70,499

The breakdown of the information relating to the mortgage portfolio for the years ended 31 December 2010 and 2009 is as follows:

	Thousands of euros			
	2010		2009	
	Principal pending	Eligible operations	Principal pending	Eligible operations
Origin of the operation	**14,080,160**	**10,316,959**	**13,475,526**	**10,039,195**
Started by the Entity	12,390,226	8,894,471	11,999,230	8,804,354
Subrogated from another operation	1,643,924	1,383,508	1,457,861	1,222,727
Other acquisitions	46,010	38,980	18,435	12,114
Currency	**14,080,160**	**10,316,959**	**13,475,526**	**10,039,195**
Euro	14,080,160	10,316,959	13,475,526	10,039,195
Other currencies	-	-	-	-
Payment situation	**14,080,160**	**10,316,959**	**13,475,526**	**10,039,195**
Up to date payments	11,173,761	8,272,774	10,868,225	8,197,063
Other situations	2,906,399	2,044,185	2,607,301	1,842,132
Average time remaining	**14,080,160**	**10,316,959**	**13,475,526**	**10,039,195**
Up to 10 years	2,145,147	1,236,135	2,194,968	1,271,620
Between 10 and 20 years	4,160,105	2,806,252	3,816,493	2,595,676
Between 20 and 30 years	5,319,746	4,318,373	4,797,199	3,954,616
More than 30 years	2,455,162	1,956,199	2,666,866	2,217,283
Interest rate	**14,080,160**	**10,316,959**	**13,475,526**	**10,039,195**
Fixed	636,348	424,483	654,484	443,411
Variable	13,235,426	9,756,878	12,625,455	9,451,480
Mixed	208,386	135,598	195,587	144,304
Purpose of the operation	**14,080,160**	**10,316,959**	**13,475,526**	**10,039,195**
Legal and other entities	6,602,566	4,211,652	6,821,570	4,530,461
Households	7,477,594	6,105,307	6,653,956	5,508,734

A breakdown of the amounts in the mortgage portfolio is set out below for the years ended 31 December 2010 and 31 December 2009, including those that are eligible based on the percentage represented with respect to the relationship between the amount of the transaction and the latest fair value of the associated guarantees (Loan to value - LTV).

	Thousands of euros			
	2010		2009	
	Principal pending	Eligible operations	Principal pending	Eligible operations
Mortgage on households	**10,396,387**	**8,220,970**	**9,748,805**	**7,811,493**
LTV up to 40%	2,331,646	1,953,234	2,177,886	1,890,083
LTV between 40% and 60%	2,688,847	2,552,013	2,689,917	2,578,230
LTV between 60% and 80%	4,505,140	3,699,719	4,211,530	3,328,894
LTV greater than 80%	870,754	16,004	669,472	14,286
Other guarantees	**3,683,773**	**2,095,989**	**3,726,721**	**2,227,702**
LTV up to 40%	1,208,247	935,020	1,206,302	992,250
LTV between 40% and 60%	1,298,426	1,153,361	1,385,957	1,228,417
LTV greater than 60%	1,177,100	7,608	1,134,462	7,035

None of the bond issues concerned contain associated replacement assets.

c) Impairment losses on customer loans

Details of impairment losses booked at the end of year 2010 and 2009 for assets recorded under loans and receivables are as follows:

	Thousands of euros			
Year 2010	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2009	**527,026**	**120,435**	**-**	**647,461**
Provisions charged to profit and loss:				
Individually determined	338,725	-	-	338,725
Collectively determined	2,684	7,063	-	9,747
Incorporation Entities Grupo Cooperativo Cajamar-individually determined	2,774	-	-	2,774
Incorporation Entities Grupo Cooperativo Cajamar-collectively determined	6,287	1,712	-	7,999
Incorporation Entities Caixa Rural de Balears-individually determined	6,174	-	-	6,174
Incorporation Entities Caixa Rural de Balears-collectively determined	5,850	5,734	-	11,584
Recovery of provisions credited to profit and loss	(110,314)	(85,778)	-	(196,092)
Defaulted loans written off against funds	(237,382)	-	-	(237,382)
Other movements	(41,601)	29,263	-	(12,338)
Balance at 31 December 2010	**500,223**	**78,429**	**-**	**578,652**
Of which:				
According to method of determination:				
Individually determined	410,098	-	-	410,098
Collectively determined	90,125	78,429	-	168,554
According to geographical area of risk location:				
Spain	500,223	78,429	-	578,652
Rest of Europe	-	-	-	-

	Thousands of euros			
Year 2009	Specific Hedges	General Hedges	Country Risk Hedges	Total Hedges
Balance at 31 December 2008	**335,990**	**201,030**	**-**	**537,020**
Provisions charged to profit and loss:				
Individually determined	331,764	-	-	331,764
Collectively determined	18,790	8,941	-	27,731
Incorporation Entities Grupo Cooperativo Cajamar-individually determined	13,404	-	-	13,404
Incorporation Entities Grupo Cooperativo Cajamar-collectively determined	3,776	19,529	-	23,305
Recovery of provisions credited to profit and loss	(49,088)	(109,522)	-	(158,610)
Defaulted loans written off against funds	(106,472)	-	-	(106,472)
Other movements	(21,138)	457	-	(20,681)
Balance at 31 December 2009	**527,026**	**120,435**	**-**	**647,461**
Of which:				
According to method of determination:				
Individually determined	426,948	-	-	426,948
Collectively determined	100,078	120,435	-	220,513
According to geographical area of risk location:				
Spain	503,788	120,435	-	624,223
Rest of Europe	-	-	-	-

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. To apply this classification and hedge the criteria associated to the development of the real estate cycle have been applied. The fund created to hedge sub-prime risk totalled 90,125 thousand euros at 31 December 2010 (100,078 thousand euros at 31 December 2009).

Details of "Impairment losses on financial assets (net) – Loans and receivables" (Note 25) in the consolidated income statements for the years ended 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Provision for the year:	**(357,625)**	**(368,648)**
Specific and general funds	(348,472)	(359,495)
Net write-offs of loan losses	(9,153)	(9,153)
Recovery of defaulted loans	**9,153**	**9,726**
Rest of recoveries	**196,092**	**158,610**
Total	**(152,380)**	**(200,312)**

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	
	2010	2009
Debit	137,449	26,813
Total	**137,449**	**26,813**

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

	Thousands of euros	
	2010	2009
Central banks	-	-
Spanish Public Administrations	110,073	3,075
Credit institutions	2,113	285
Other resident sectors	22,951	20,953
Non-resident public administrations	-	-
Other non-resident sectors	2,400	2,567
Non-performing assets	-	-
Valuation adjustments:		
Asset impairment adjustments	(88)	(67)
Total	**137,449**	**26,813**

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 2010 and 2009 relating to debt securities totalled 2,481 thousand euros and 890 thousand euros, respectively (Note 25).

Variations in the balance of this caption on the accompanying consolidated sheets during 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Opening balance	**26,813**	**-**
Additions	98,219	26,005
Sales, depreciation and amortization	(2,681)	(2,621)
Incorporation Caixa Rural de Balears	3,165	-
Accrued interests	1,896	-
Incorporation Entities Grupo Cooperativo	10,173	3,125
Portfolio adjustment cost	(115)	371
Asset impairment adjustments (Nota 25)	(21)	(67)
Closing balance	**137,449**	**26,813**

7.7. Financial liabilities at amortized cost

Details of this liabilities caption on the accompanying consolidated balance sheets at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Deposits from central banks	400,100	902,806
Deposits from credit institutions	1,224,778	745,915
Deposits from other creditors	21,714,284	20,313,877
Debt certificates including bonds	3,315,595	2,583,198
Subordinated liabilities	160,117	298,235
Other financial liabilities	184,852	147,686
Total	**26,999,726**	**24,991,717**

Details of the remaining terms until maturity of this heading are described in Note 6.c regarding liquidity risk.

a) Deposits at central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2010 and 2009 are comprised as follows:

	Thousands of euros	
	2010	2009
Bank of Spain	**400,000**	**900,000**
Other central banks	**-**	**-**
Valuation adjustments:		
Accrued interests	100	2,806
Micro-hedging operations	-	-
Other central banks	-	-
Total	**400,100**	**902,806**

The balance recorded under the account “Bank of Spain” that 31 December 2010 related to the short-term financing obtained by Cajamar, in accordance with the loan agreement including the pledge of securities and other assets concluded with the Bank of Spain in accordance with the mechanisms that govern the monetary policy for the eurosystem and which involve pledged assets totalling 3,521,372 thousand euros (3,890,209 thousand euros at 31 December 2009), (Notes 7.4.a and 7.5.b.4).

b) Deposits at credit institutions

Details of this caption under "Financial liabilities at amortized cost" in the liabilities section on the consolidated balance sheets according to instrument type are as follows:

	Thousands of euros	
	2010	2009
By type (liability)		
Nostro/vostro accounts	**264**	**7,445**
Term deposits	**924,158**	**696,202**
Shared issued	**-**	**-**
Other financial liabilities associated with transferred financial assets	**-**	**-**
Hybrid financial liabilities	**-**	**-**
Assets sold under repurchase agreements	**136,574**	**3,194**
Other deposits	**157,510**	**35,033**
Valuation adjustments:		
Accrued interests:		
Resident institutions	6,272	4,041
Non-resident institutions	-	-
Total	**1,224,778**	**745,915**

Details of the remaining terms until maturity of this heading are described in Note 6.c 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	
	2010	2009
By counterparty and type of financial instrument		
Spanish public administrations	**520,414**	**698,074**
Other resident sectors:	**20,956,738**	**19,386,090**
Demand deposits:	**6,123,160**	**5,877,697**
Current accounts	2,720,463	2,736,736
Savings accounts	3,365,432	3,114,079
Electronic funds	866	697
Other demand deposits	36,399	26,185
Term deposits:	**14,660,052**	**13,361,258**
Fixed-term deposits	12,125,299	11,201,961
Home buyer´s savings accounts	42,361	63,395
Discounted deposits	-	-
Shares issued (Note 7.5.b.4)	1,914,177	2,047,180
Other financial liabilities with transferred financial assets	-	-
Hybrid financial liabilities	570,125	40,652
Other term deposits	8,090	8,070
Deposits redeemable at notice	**-**	**-**
Assets sold under repurchase agreements	**-**	**-**
Valuation adjustments	**173,526**	**147,135**
Non-resident public administrations	**-**	**-**
Other non-resident sectors	**237,132**	**229,713**
Total	**21,714,284**	**20,313,877**

The balance at 31 December 2010 included in the account "Spanish public institutions" includes certain simultaneous purchase agreements carried out with the Financial Asset Acquisition Fund, in accordance with the provisions of Royal Decree-Law 6/2008 (10 October) which created the Financial Asset Acquisition Fund and Order EHA/311/2008 (31 October) that enables the aforementioned Royal Decree-Law.

The details of these issues and operations are as follows:

Date			Thousands of euros	
Issue	Maturity	Issuance	Nominal	Interest rate
28/01/09	28/01/11	Repurchase operation	124,306	2.62%
		Total Issues	**124,306**	

In 2010 a simultaneous purchase issue carried out with the Financial Asset Acquisition Fund was eliminated due to its maturity and totalled 155,408 thousand euros.

The balance recognized in the account "Term deposits" at 31 December 2010 and 31 December 2009, includes various mortgage bond issues made in accordance with the provisions of Law 2/1981 (25 March), on Mortgage Market Regulations.

The breakdown of the Mortgage Bond issues made that have yet to mature is as follows (Notes 7.5.b.4):

Date		Thousands of euros				Hedging	
Issue	Maturity	Cash	Rating	Agency	Interest rate	Type	Thousands of euros
19/11/04	19/11/14	500,000	AAA	Standar & Poor´s	4.01%	E12 + 0.0925%	500,000
11/03/05	11/03/15	200,000	AAA Aaa	Standar & Poor´s Moody´s Investors Service, Ltd.	3.76%	E12 + 0.1115%	200,000
02/12/05	02/12/15	500,000	AAA Aaa	Standar & Poor´s Moody´s Investors Service, Ltd.	3.51%	E12 + 0.1221%	500,000
29/05/06	08/04/16	300,000	AAA Aaa	FITCH Moody´s Investors Service, Ltd.	Euribor 3 months + 0.06%		-
09/06/06	09/06/16	500,000	AAA Aaa	FITCH Moody´s Investors Service, Ltd.	4.26%	E12 + 0.129%	500,000
28/05/09	30/05/13	250,000	AAA	Standar & Poor´s	3.25%		-
Total issues		**2,250,000**					

Details of the remaining terms until maturity of this heading are described in Note 6.c 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	
	2010	2009
Promissory notes and bills	-	58,099
Mortgage securities	1,417,080	1,083,519
Other securities related to transferred financial assets	-	-
Convertible securities	-	-
Hybrid securities	-	-
Other non-convertible securities	2,134,000	1,634,000
Treasury shares	(255,550)	(195,800)
Valuation adjustments	20,065	3,380
Total	**3,315,595**	**2,583,198**

The movement of each type of financial liability during 2010 and 2009, without taking into account valuation adjustments, is as follows:

	Thousands of euros				
	2010				
	Opening balance	Issues	Repurchases or reimbursements	Exchange rate adjustments and others	**Closing balance**
Debt securities issued in a European Union member state which have required the registration of a prospectus	**2,579,818**	885,472	(169,760)	-	**3,295,530**
Of which:					
Promissory notes and bills	58,099	51,911	(110,010)	-	-
Mortgage securities	887,719	333,561	(49,750)	-	1,171,530
Other non-convertible securities	1,634,000	500,000	(10,000)	-	2,124,000

	Thousands of euros				
	2009				
	Opening balance	Issues	Repurchases or reimbursements	Exchange rate adjustments and others	**Closing balance**
Debt securities issued in a European Union member state which have required the registration of a prospectus	**1,020,605**	2,461,977	(902,764)	-	**2,579,818**
Of which:					
Promissory notes and bills	220,605	144,458	(306,964)	-	58,099
Mortgage securities	-	1,083,519	(195,800)	-	887,719
Other non-convertible securities	800,000	1,234,000	(400,000)	-	1,634,000

The issues recognized in the account "promissory notes and trade bills" in 2010 and the balance 31 December 2009, relate to issues made within a promissory note issue framework program totalling 500,000 thousand euros at maximum, which may be extended to 1,000,000 thousand euros. The average interest rate was 0.90% in 2010 and 1.93% in 2009. In 2010 and 2009 eliminations due to maturity totalled 110,010 thousand euros and 306,964 thousand euros, respectively.

The issues of "Mortgage bonds" totalling 333,561 thousand euros in 2010 relate to an extension of the issue carried out on 23 October 2009.

The details of the issues made and pending maturity under "Mortgage securities" at 31 December 2010 are as follows (Note 7.5.b.4):

Date		Thousands of euros					Hedging	
Issue	Maturity	Cash	Own Values	Rating	Agency	Interest rate	Nominal	Thousands of euros
29/12/08	28/12/11	244,940	-	Aaa	Moody´s Investors Service, Ltd.	4.00%	E3 + 0.1255%	244,600
17/02/09	17/02/12	88,579	-	Aaa	Moody´s Investors Service, Ltd.	3.50%	-	-
23/10/09	23/10/14	1,083,561	(245,550)	Aaa	Moody´s Investors Service, Ltd.	3.50%	E6 + 0.766%	556,000
	Total issues	**1,417,080**	**(245,550)**					

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

Date		Thousands of euros					
Issue	Maturity	Cash	Own Values	Rating	Agency	Interest rate	Issuance
14/07/06	14/07/11	400,000	(10,000)	A A3	FITCH Moody´s Investors Service, Ltd.	E3 + 0.20%	Cajamar Straight Bonds 2006
30/03/09	30/03/12	1,000,000	-	AA1 AA+	Moody´s Investors Service, Ltd. FITCH	3.13%	Cajamar Straight Bonds March 2009
31/03/09	31/03/11	100,000	-	AAA	Moody´s Investors Service, Ltd.	E3 + 0.70%	Cajamar Straight Bonds Marzo-2 2009
04/06/09	04/06/12	134,000	-	Aa1	Moody´s Investors Service, Ltd.	3.00%	Cajamar Straight Bonds June 2009
03/05/10	03/05/13	500,000	-	AA+ Aa1	FITCH Moody's	E3 + 0.74%	Cajamar Straight Bonds May 2010
	Total issues	**2,134,000**	**(10,000)**				

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

Details of the remaining terms until maturity of this heading are described in Note 6.c regarding liquidity risk.

e) Subordinated liabilities

This account, which is included under the heading "Financial liabilities at amortized cost" records the amount of financing received, regardless of the manner in which it is instrumented, and which, for the purposes of credit priority, is behind common creditors in accordance with the provisions of Law 13/1985 (25 May) and Royal Decree 1370/1985 (1 August).

Details on the accompanying consolidated balance sheet, by type of financial liability and counterparty, are as follows:

	Thousands of euros	
	2010	2009
By type of liability and counterparty		
Subordinated debt certificates including bonds:	**160,700**	**299,000**
Convertible	-	-
Non-convertible	160,700	299,000
Subordinated deposits	**-**	**-**
Valuation adjustments	**(583)**	**(765)**
Total	**160,117**	**298,235**

The movement during 2010 and 2009, without taking into account valuation adjustments, is as follows:

	Thousands of euros	
	2010	2009
Opening balance	**299,000**	**300,000**
Additions	-	-
Disposals	(138,300)	(1,000)
Transfers	-	-
Closing balance	**160,700**	**299,000**

The balance relating to this heading of the accompanying consolidated balance sheet relates to the issue of bonds called "Cajamar Subordinated Bonds 2005" carried out by Cajamar on 16 March 2005 for a nominal amount of 300,000 thousand euros. The maturity date for the issue is 16 March 2015, during which it will accrue interest at 3-month Euribor plus a spread of 0.80%, payable in quarterly coupons. The issue was fully subscribed and accepted for trading on the AIAF Fixed Income Market and rated by Fitch at A-.

The prospectus, prepared in accordance with National Stock Market Commission Circular 2/1999 was registered with this commission on 3 March 2005.

In 2010 and 2009 no new issues took place.

Interest accrued during 2010 and 2009 year on these subordinated bonds totalled 3,355 thousand euros and 6,081 thousand euros, respectively (Note 25) and they are included under the heading "Interest and similar charges" in the accompanying income statement.

The issue of bonds called "Cajamar Subordinated Bonds 2005" has been classified as Tier II capital in accordance with section 1.j) of Standard 8 of Bank of Spain Circular 3/2008 (22 Make those parentheses and subsequent amendments.

Details of the remaining terms until maturity of this heading are described in Note 6.c 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 recognized at amortized cost Includes the amount of bonds payable that take the form of financial liabilities not included under other headings.

Details of other financial liabilities grouped by financial instrument type are as follows:

	Thousands of euros	
	2010	2009
Payables	88,938	42,202
Guarantee deposits received	4,271	2,205
Clearing houses	8,527	10,808
Tax collection accounts	48,221	57,736
Special accounts	17,263	24,738
Financial guarantees (Notes 3.6 and 9)	8,441	8,569
Other items	9,191	1,428
Total	**184,852**	**147,686**

7.8. Financing needs and strategies

The Assets and Liabilities Committee - COAP - is responsible for managing the Group's liquidity. The principles, instruments and limits on which liquidity risk management is based are described in Note 6 - Risk Management.

In 2010 deposits made by Group customers grew by 9.3%, contributing to strengthen the balance sheet structure. Accordingly, the ratio of loan investment/deposit fell from 135.5% to 129%, thereby reaching a loan portfolio coverage level by customer deposits and medium and long-term issues totalling 97.9%.

Grupo Cooperativo Cajamar's wholesale market financing structure is based on medium and long-term issues that represent 80.4% of the total, and the portfolio is diversified by instruments, maturity dates and markets.

In 2010 the Group issued medium and long-term bonds into the wholesale market totalling 850 million euros, compared with maturities totalling 155.4 million euros.

The Group maintains liquid assets (eligible for financing transactions with the European Central Bank) totalling 5,800 million euros in nominal value, as well as a capacity to issue collateralized instruments (mortgage bonds and issues secured by the Government) that exceed 3,100 million euros.

Detail of financing needs and strategies as at December 31, 2010 are as follows:

	Thousands of euros		Thousands of euros
Stable financing needs		**Stable financing sources**	
Credit to clients	17,551,330	Clients covered 100% F.G.D	10,218,826
Credit to Group entities and associates	330,194	Clients not covered 100% F.G.D	7,210,738
Securiticized loans	6,729,860		
Specific funds	502,851		
Allocated assets	576,672		
Total loans to clients	**25,690,907**	**Total retail deposits**	**17,429,564**
Shares	**98,465**		
		Bonds and mortgage bonds	3,434,700
		Territorial bonds	-
		Senior debt	390,000
		Issues guaranteed by the State	1,734,000
		Subordinated, preferent and convertible securities	160,700
		Securitizations sold to third parties	1,914,178
		Other financing with more than 1 year maturity	83,840
		Long term corporate financing	**7,717,418**
		Equity	**2,294,147**
Total financing needs	**25,789,372**	**Total stable financing sources**	**27,441,129**

Detail by maturity date of corporate debt as at December 31, 2010 is as follows:

	Thousands of euros			
	2011	2012	2013	>2013
Issue:				
Bonds and mortgage bonds	244,600	88,200	250,000	2,851,900
Territorial bonds	-	-	-	-
Senior debt	390,000	-	-	-
Issues guaranteed by the State	100,000	1,134,000	500,000	-
Subordinated, preferent and convertible securities	-	-	-	160,700
Securitizations sold to third parties	344,362	250,311	214,529	1,104,975
Other financial instruments at medium and long term	-	-	-	-
Commercial paper	-	-	-	-
Total maturity of corporate issues	**1,078,962**	**1,472,511**	**964,529**	**4,117,575**

Liquid assets and issuance capacity as at December 31, 2010 are as follow:

	Thousands of euros
Liquid assets:	
Eligible assets (nominal value)	5,804,371
Eligible assets (market value and Bank of Spain cuts)	4,266,931
Of which:	
debt with central public administration	*802,431*
Pledged assets (market value and Bank of Spain cuts)	2,241,197
Non-pledged assets (market value and Bank of Spain cuts)	2,025,734
Total liquid assets	**14,338,233**
Issuance capacity:	
Mortgage bonds	2,890,501
Territorial bonds	-
Issues guaranteed by the State	296,000
Total issuance capacity	**3,186,501**
Total liquidity capacity	**11,151,732**

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.

That 31 December 2010 and 31 December 2009, the fair value of asset derivatives totalled 127,979 thousand euros and 83,910 thousand euros, respectively, and the fair value of liability derivatives totalled 16,368 thousand euros and 2,425 thousand euros, respectively.

The contracted derivatives and the hedged items were as follows:

> Interest Rate Swap, hedging customer deposits bearing fixed interest rates.

> Equity Swap, hedging customer deposits that bear interest based on a reference to several stock market indexes.

> Embedded derivatives segregated from the primary contract, designated as hedging instruments for “Customer Deposits” in accounting hedges.

The measurement methods used to determine the fair value of derivatives have been the discounted cash flow method to measure interest rate derivatives and the Montecarlo technical simulation method to measure structured products with an optional component.

The notional and fair values of financial derivatives recorded as "Hedging derivatives" at 31 December 2010 and 2009 are set out below by counterparty, remaining term and type of risk:

	Thousands of euros					
			Fair value			
	Notionals		Assets		Liabilities	
	2010	2009	2010	2009	2010	2009
By counterparty						
Resident credit institutions	982,118	852,045	16,838	4,319	3,556	1,738
Non-resident credit institutions	1,962,500	1,701,750	110,912	79,430	6,910	17
Other resident financial institutions	163,107	3,207	101	100	2,558	5
Other non-resident financial institutions	36,330	3,330	128	61	509	-
Rest of resident sectors	240,239	25,875	-	-	2,835	665
Rest of non-resident sectors	-	-	-	-	-	-
Total	**3,384,294**	**2,586,207**	**127,979**	**83,910**	**16,368**	**2,425**
By term to maturity						
Up to 1 year	271,646	40,062	4,224	291	521	329
More that 1 year and up to 5 years	2,612,648	1,346,145	78,633	29,509	15,847	2,096
More than 5 years	500,000	1,200,000	45,122	54,110	-	-
Total	**3,384,294**	**2,586,207**	**127,979**	**83,910**	**16,368**	**2,425**
By type of hedged risk						
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	2,503,617	2,533,057	127,713	83,510	167	1,632
Share risk	880,677	53,150	266	400	16,201	793
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**3,384,294**	**2,586,207**	**127,979**	**83,910**	**16,368**	**2,425**

9. Contingent risks

The breakdown of contingent risks at the end of 2010 and 2009, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousands of euros	
	2010	2009
Guarantees:		
Financial sureties	210,774	209,076
Other financial guarantees	-	-
Assets earmarked for third-party obligations	-	-
Irrevocable letters of credit:		
Issued	15,274	6,897
Confirmed	-	-
Additional settlement guarantee	-	-
Other granted sureties and securities	379,772	441,424
Other contingent exposures	138,637	81,253
Total	**744,457**	**738,650**

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 2010 and 2009 totalled 30,925 thousand euros and 30,687 thousand euros, respectively (Notes 7.7.f and 15).

The present value of future flows yet to be received for these contracts is 34,020 thousand euros in 2010 and 33,018 thousand euros in 2009.

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 5,076 thousand euros and 11,593 thousand euros in 2010 and 2009, respectively (Note 16).

The balance at 31 December 2010 under “Other contingent risks” totals 138,637 thousand euros (81,253 thousand at 31 December 2009), 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 2010 and 2009 are as follows:

	Thousands of euros			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Tangible assets for own use	20,721	-	11,373	-
Investment properties	-	-	-	-
Other assets leased out under an operating lease	-	-	-	-
Assets awarded in foreclosure	97,315	-	59,706	-
Asset impairment adjustment (Notes 14 and 25)	(10,406)	-	(3,998)	-
Investment	-	-	157	-
Total	**107,630**	**-**	**67,238**	**-**

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

	Thousands of euros							
	Residential		Industrial		Agricultural		Other	
	2010	2009	2010	2009	2010	2009	2010	2009
Tangible assets								
Tangible assets for own use	2,704	3,250	18,018	8,123	-	-	-	-
Foreclosed	81,066	46,186	12,481	7,077	3,767	6,443	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**83,770**	**49,436**	**30,499**	**15,200**	**3,767**	**6,443**	**-**	**-**

Details of movement recorded in these captions on the consolidated balance sheet, without taking into account impairment losses, during 2010 and 2009, are as follows:

	Thousands of euros					
	Tangible assets for own use		Foreclosed		Investments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Balance at 31 December 2008	**2,910**	**-**	**101,547**	**-**	**-**	**-**
Incorporation entities Grupo Cooperativo	-	-	3,972	-	157	-
Additions	36	-	34,850	-	-	-
Disposals	(676)	-	(955)	-	-	-
Transfers	9,103	-	(79,708)	-	-	-
Balance at 31 December 2009	**11,373**	**-**	**59,706**	**-**	**157**	**-**
Incorporation of Caixa Rural de Balears	1,420	-	6,294	-	-	-
Incorporation entities Grupo Cooperativo	-	-	2,651	-	-	-
Additions	10	-	64,594	-	-	-
Disposals	(1,790)	-	(9,707)	-	(157)	-
Transfers	9,708	-	(26,223)	-	-	-
Balance at 31 December 2010	**20,721**	**-**	**97,315**	**-**	**-**	**-**

In 2010 the Group transferred certain assets for its own use and investment properties, mainly commercial premises, to this heading for a net amount of 9,708 thousand euros (9,103 thousand euros in 2009) and the carrying value is expected to be recovered upon disposal.

The transfers to this heading mainly related to certain foreclosed assets classified as property investments.

The fair value of the tangible assets recorded in this caption at 31 December 2010 and 2009, based on the valuations carried out by appraisal agencies applying the comparison method, is as follows:

	Thousands of euros			
	Fair Value		Carrying value	
	2010	2009	2010	2009
Tangible assets for own use	23,353	15,010	20,721	11,373
Foreclosed	141,016	98,272	97,315	59,706
Total	**164,369**	**113,282**	**118,036**	**71,079**

(*) Value with no asset impairment adjustment

In 2010 there have been no significant disposals of foreclosed assets obtained as payment of debt.

The average sale period for foreclosed assets obtained as payment of dent is fourteen months.

In 2010 loans have been granted to finance the sale of property, plant and equipment foreclosed by the Group totalling 7,799 thousand euros (780 thousand euros in 2009). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2010 was 66%. There are gains pending recognition on the sale of these assets at 31 December 2010 totalling 859 thousand euros.

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 2010 and 2009 are included in Appendix I.

	Thousands of euros	
	2010	2009
Investments		
Associates	61,272	55,938
Jointly-controlled entities	-	-
Total	**61,272**	**55,938**

At year-end 2010 and 2009, the "Investments" caption reflected the value of investments accounted for by the equity method and had the following movements:

	Thousands of euros	
	2010	2009
Opening balance	**55,938**	**62,102**
Additions through transfers, purchases and capital increases	16,966	600
Sales of shareholdings and return of contributions	(779)	-
Disposals through transfer of shareholdings and removals from scope	(16,310)	(6)
Result from the equity method	5,440	(2,999)
Other consolidation activity	17	(3,759)
Closing balance	**61,272**	**55,938**

Additions in 2010 relate mainly to the entry into the scope of consolidation of the investment in Apartamentos Media Luna, S.A. totalling 16,420 thousand euros as a result of the merger of Grupo Cimenta2 Gestión e Inversiones, S.L. (acquiring company) and Grupo Inmobiliario Aguamar, S.L. (target company).

Additions in 2009 relate to the capital increase carried out by Parque Científico-Tecnológico de Almería, S.A.

Movements in transfers in 2009 related to the company Ecovida, S.L. as in 2009 the stake in its share capital was diluted and therefore the investment was transferred to the portfolio of financial assets available for sale (Note 2.7).

In 2004 50% of the share capital of Cajamar Vida, S.A. de Seguros y Reaseguros, was sold to Generali España, Holding de Entidades de Seguros, S.A. and the Entity kept the remaining 50% of the shares. In accordance with the share purchase agreement, the overall price for the shares, which will be determined in 2019, will be adjusted based on the volume of business generated by Cajamar Vida over the coming 15 years. The overall price consists of a fixed price of 9,508 thousand euros that was collected in 2004 and a variable price that will be calculated based on the value of the business and the net value of the assets in 2019. On an annual basis an independent expert appointed by the contracting companies will make these calculations and issue a report that will determine the variable price. The contract also includes the granting of a purchase option to the Entity for the shares sold, and a sale option was granted to Generali España, Holding de Entidades de Seguros, S.A. The strike price of the indicated options will be set in accordance with the market price of the shares or the net amount paid for those shares. The variable price obtained is recognised in the balance sheet under "Other financial assets at fair value through changes in profit or loss" (Note 7.3.2.a).

The results obtained on the change in value is recognised as "Results from financial transactions", segregating the financial yield and in 2010 the first totalled 1,410 thousand euros and 2,445 thousand euros for the second (a negative amount of 657 thousand euros and a positive amount of 1,114 thousand euros in 2009).

The results in "Shareholdings" in entities measured using the equity method at 31 December 2010 and 2009 totalled 5,440 thousand euros and a negative figure of 2,999 thousand euros, respectively (Note 25).

The heading "Customer loans - Measurement adjustments" at 31 December 2010 and 2009 includes 779 thousand euros for the profits obtained on the sale of shares pending recognition, deriving from the financing of the aforementioned sale transactions.

12. Tangible assets

Details of this caption on the consolidated balance sheets at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Own use	460,599	421,034
Investment properties	148,115	97,695
Other assets leased out under an operating lease	-	-
Assigned to the Education and Development Fund (Note 21)	2,180	3,535
Impairment adjustments	(2,818)	(25)
Total	**608,076**	**522,239**

The breakdown of tangible assets for own use recorded under this caption on the consolidated balance sheet and the movements during 2010 and 2009, 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 2008	**96,189**	**262,829**	**219,656**	**74,376**	**6,350**	**659,400**
Incorporation Entities Grupo Cooperativo	4,144	12,271	13,287	2,005	-	31,707
Additions	6,772	10,101	2,211	23,780	52	42,915
Additions to the scope	-	-	-	-	-	-
Disposals	(9,990)	(25,627)	(7,137)	(116)	(1,067)	(43,937)
Transfers	712	8,773	25,255	(39,121)	1,688	(2,693)
Balance at 31 December 2009	**97,827**	**268,346**	**253,272**	**60,924**	**7,023**	**687,392**
Incorporation Caixa Rural de Balears	1,746	4,734	12,051	322	-	18,853
Incorporation Entities Grupo Cooperativo	1,397	3,007	4,964	655	371	10,394
Additions	6,980	10,812	15,335	33,546	1,057	67,730
Additions to the scope	-	601	-	-	20	621
Disposals	(1,728)	(18,976)	(2,076)	(3)	(1,414)	(24,197)
Transfers	25	2,157	14,481	(20,796)	957	(3,176)
Balance at 31 December 2010	**106,247**	**270,681**	**298,027**	**74,648**	**8,014**	**757,617**
Accumulated Depreciation						
Balance at 31 December 2008	**(74,708)**	**(147,478)**	**(25,500)**	**-**	**(352)**	**(248,038)**
Incorporation Entities Grupo Cooperativo	(3,313)	(7,176)	(1,714)	-	-	(12,203)
Additions	(7,292)	(18,396)	(3,373)	-	(105)	(29,167)
Additions to the scope	-	-	-	-	-	-
Disposals	9,890	12,203	529	-	427	23,049
Transfers	-	-	-	-	-	-
Balance at 31 December 2009	**(75,423)**	**(160,847)**	**(30,058)**	**-**	**(31)**	**(266,358)**
Incorporation Caixa Rural de Balears	(1,632)	(3,411)	(1,138)	-	-	(6,181)
Incorporation Entities Grupo Cooperativo	(1,210)	(2,525)	(1,028)	-	(16)	(4,779)
Additions	(7,608)	(18,509)	(3,723)	-	(203)	(30,043)
Additions to the scope	-	(646)	-	-	(9)	(655)
Disposals	1,699	8,706	745	-	169	11,319
Transfers	(13)	12	(68)	-	(252)	(321)
Balance at 31 December 2010	**(84,187)**	**(177,220)**	**(35,270)**	**-**	**(342)**	**(297,018)**

	Thousands of euros					
For own use	IT equipment	Furniture, Fixtures and Other	Buildings	Buildings under construction	Other	TOTAL
Impairment losses						
Balance at 31 December 2008	**-**	**(13,005)**	**-**	**-**	**-**	**(13,005)**
Incorporation Entities Grupo Cooperativo	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	13,005	-	-	-	13,005
Write-offs due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2009	**-**	**-**	**-**	**-**	**-**	**-**
Incorporation of Caixa Rural de Balears	-	-	-	-	-	-
Incorporation Entities Grupo Cooperativo	-	-	-	-	-	-
Additions	-	-	(195)	-	-	(195)
Disposals	-	-	-	-	-	-
Write-offs due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2010	**-**	**-**	**(195)**	**-**	**-**	**(195)**

The breakdown of investment properties, operating leases and assets assigned to the Education and Development Fund recorded under this caption on the consolidated balance sheet and the movements during 2010 and 2009, in this caption, are as follows:

	Thousands of euros				
	Investment properties			Assigned to the Education and Development Fund	
	Buildings	Properties, plots and sites	Other assets leased out under an operating lease	Furniture and Fixture	Property
Cost					
Balance at 31 December 2008	**72,996**	**1,984**	**151**	**1,770**	**4,994**
Incorporation Entities Grupo Cooperativo	635	268	-	-	-
Additions	20,553	1,248	-	21	127
Disposals	-	-	(149)	(21)	-
Transfers	4,741	(1,016)	-	-	-
Balance at 31 December 2009	**98,925**	**2,484**	**2**	**1,770**	**5,121**
Incorporation of Caixa Rural de Balears	15	-	-	59	-
Incorporation Entities Grupo Cooperativo	10	1	-	349	98
Additions	13,135	20,839	-	10	207
Disposals	(1,105)	-	(2)	(11)	(1,658)
Transfers	19,423	268	-	-	-
Balance at 31 December de 2010	**130,403**	**23,592**	**-**	**2,177**	**3,768**
Accumulated Depreciation					
Balance at 31 December 2008	**(2,022)**	**-**	**(97)**	**(1,350)**	**(1,824)**
Incorporation Entities Grupo Cooperativo	(159)	-	-	-	-
Additions	(1,624)	-	(7)	(65)	(138)
Disposals	91	-	102	21	-
Transfers	-	-	-	-	-
Balance at 31 December 2009	**(3,714)**	**-**	**(2)**	**(1,394)**	**(1,962)**
Incorporation of Caixa Rural de Balears	(2)	-	-	(39)	-
Incorporation Entities Grupo Cooperativo	(1)	-	-	(300)	(30)
Additions	(2,250)	(302)	-	(50)	(100)
Disposals	68	-	2	3	107
Transfers	321	-	-	-	-
Balance at 31 December 2010	**(5,578)**	**(302)**	**-**	**(1,780)**	**(1,985)**

	Thousands of euros				
	Investment properties			Assigned to the Education and Development Fund	
	Buildings	Properties, plots and sites	Other assets leased out under an operation lease	Furniture	Property
Impairment losses					
Balance at 31 December 2008	**-**	**-**	**-**	**-**	**-**
Additions	(25)	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Balance at 31 December 2009	**(25)**	**-**	**-**	**-**	**-**
Additions	(2,110)	-	-	-	-
Incorporation Entities Grupo Cooperativo	(683)	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Balance at 31 December 2010	**(2,818)**	**-**	**-**	**-**	**-**

In 2010 sales and write-offs of certain property, plant and equipment generated gains totalling 1,908 thousand euros (294 thousand euros at 31 December 2009) and losses totalling 5,966 thousand euros (4,147 thousand euros at 31 December 2009 (Note 25).

At 31 December 2010 the Lead Entity had yet to recognize 8,972 thousand euros from the financing of sale transactions (9,832 thousand euros at 31 December 2009) originating in 2006 for the sale of certain assets classified as property investments and 125 thousand euros for the sale of properties for own use carried out in 2010.

At 31 December 2010 the Group has commitments to acquired assets totalling 6,301 thousand euros (21,732 thousand euros at 31 December 2009).

Fully depreciated assets still in use by the Group at 31 December 2010 totalled 152,173 thousand euros (120,376 thousand euros at 31 December 2009).

The fair value of property for own use and investment properties, net of impairment losses, at 31 December 2010 and 2009, is as follows:

	Thousands of euros			
	Fair value		Carrying value	
	2010	2009	2010	2009
Property for own use (*)	284,255	269,214	270,234	230,206
Investment properties (*)	159,065	104,072	145,298	97,670
Total	**443,320**	**373,286**	**415,532**	**327,876**

(*) These assets have been appraised by appraisal companies using the comparison method. Their fair value has been included in the account "Other" under properties for own use and "Plots of land" under property investments.

Revenues deriving from rent from property investments in 2010 and 2009 totalled 6,150 thousand euros and 4,734 thousand euros (Note 25), respectively. In addition, the operating expenses relating to these investments totalled 330 thousand euros and 179 thousand euros (Note 25), respectively.

13. Intangible assets

Details of this caption on the accompanying consolidated balance sheets at 31 December 2010 and 2009 are as follows:

	Thousands of euros		
	Estimated useful life	2010	2009
With indefinite useful life	**-**	**-**	**825**
With finite useful life:	**-**	**107,868**	**99,891**
Computer applications	3 - 10 years	89,505	81,538
Administrative concessions	35 years	18,353	18,353
Other intangible assets	3 - 10 years	10	-
Gross total		**107,868**	**100,716**
Of which:			
Developed in-house	3 - 10 years	5,686	5,228
Other	3 - 35 years	102,182	95,488
Accumulated depreciation	-	(67,442)	(60,010)
Impairment losses	-	-	-
Net total		**40,426**	**40,706**

The intangible assets recorded with an indefinite useful life at 31 December 2009 derive from the goodwill generated on the assignment of certain assets and liabilities to the credit areas of Cooperativa Real de Gandia, Cooperativa de Alpuente and Cooperativa Valenciana del Campo Ntra Sra. de las Viñas. At 31 December 2010 this goodwill had been completely written-off.

The movement of the intangible assets with a finite useful life included in this caption on the consolidated balance sheet throughout the years 2010 and 2009 has been as follows:

	Thousands of euros	
	2010	2009
Cost		
Opening balance	**100,716**	**88,024**
Incorporation Entities Caixa Rural de Balears	180	-
Incorporation Entities Grupo Cooperativo	9	1,264
Additions	8,244	13,285
Disposals	(1,219)	(5,070)
Other	(62)	3,213
Closing balance	**107,868**	**100,716**
Depreciation and amortisation		
Opening balance	**(60,010)**	**(50,619)**
Incorporation Entities Caixa Rural de Balears	(180)	-
Incorporation Entities Grupo Cooperativo	(4)	(311)
Additions	(7,189)	(6,011)
Disposals	30	264
Other	(89)	(3,333)
Closing balance	**(67,442)**	**(60,010)**
Net Total	**40,426**	**40,706**

In 2010 and 2009 no appropriations were made to impairment losses affecting intangible assets.

Fully amortized intangible assets still in use by the Group at 31 December 2010 totalled 57,241 thousand euros (56,219 thousand euros at 31 December 2009).

In 2010 certain items were written-off, which generated a capital loss on intangible assets totalling 347 thousand euros (2,790 thousand euros 1t 31 December 2009) (Note 25).

14. Measurement adjustments for the impairment of other assets

Details of the movements in non-financial asset impairment adjustments during 2010 and 2009 are as follows:

Year 2010	Thousands of euros			
By type of asset	Inventories	Tangible assets	Non-current assets held for sale	Total
Opening balance - specific provision	**(50,117)**	**(25)**	**(3,998)**	**(54,140)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(55,847)	(2,110)	(5,668)	**(63,625)**
Incorporation Entities Grupo Cooperativo	(24,062)	(683)	(236)	**(24,981)**
Incorporation Caixa Rural de Balears	-	-	(788)	**(788)**
Recovered funds (Notes 10, 12, 15 and 25)	1,263	-	108	**1,371**
Write-offs due to use, transfers and others	(4,421)	-	176	**(4,245)**
Closing balance - specific provision	**(133,184)**	**(2,818)**	**(10,406)**	(146,408)

Year 2009	Thousands of euros			
By type of asset	Existencias	Activo material	Activos no corrientes en venta	Total
Opening balance - specific provision	**(8,919)**	**(13,005)**	**(926)**	**(22,850)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(38,621)	(25)	(2,620)	**(41,266)**
Incorporation Entities Grupo Cooperativo	-	-	(452)	**(452)**
Recovered funds (Notes 10, 12, 15 and 25)	12	13,005	-	**13,017**
Write-offs due to use, transfers and others	(2,589)	-	-	**(2,589)**
Closing balance - specific provision	**(50,117)**	**(25)**	**(3,998)**	(54,140)

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 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Other Assets:		
Prepayment and accrued income	8,888	6,080
Inventories:		
Amortised cost	793,213	436,615
Asset impairment adjustments (Note 14)	(133,184)	(50,117)
Other:		
Prepayment and accrued income (Notes 3.20 and 16)	3,317	3,282
Operations in transit	29,524	26,241
Other items	36,262	13,708
Total	**738,020**	**435,809**
Other liabilities:		
Prepayment and accrued income	25,178	30,088
Other:		
Operations in transit	103,386	88,310
Liabilities from non-financial guarantees (Notes 3.25 and 9)	22,484	22,118
Other items	31,104	14,139
Total	**182,152**	**154,655**

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 2010 and 2009, is as follows:

	Thousands of euros	
	2010	2009
Opening balance	**436,615**	**211,627**
Additions	389,495	164,618
Disposals	(32,897)	(9,203)
Amounts added from Caixa Rural de Balears	-	-
Amounts added from Entities of Grupo Cooperativo	-	-
Transfers (Notes 10 and 12)	-	69,573
Closing balance	**793,213**	**436,615**

The fair value of inventories recorded under this caption at 31 December 2010 and 2009 is as follows:

	Thousands of euros			
	Fair value		Carrying value	
	2010	2009	2010	2009
Inventories	777,093	490,917	660,029	386,498
Total	**777,093**	**490,917**	**660,029**	**386,498**

16. Provisions

Details of this caption on the consolidated balance sheets at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Pension fund and similar obligations (Note 3.20)	26,925	19,958
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments (Note 9)	5,076	11,593
Other provisions	13,221	54,428
Total	**45,222**	**85,979**

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	
	2010	2009
Other assets - Net assets in pension plans (Notes 3.20 and 15)	3,317	3,282
Provisions – Pension fund and similar obligations (Note 3.2)	26,925	19,958

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					
	2010			2009		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
Current value of obligations:						
Commitments to active staff	23,337	-	-	23,516	-	-
Commitments to early-retired staff	-	26,785	140	-	19,958	-
Commitments to retired personnel	11,686	-	-	11,831	-	-
Fair value of plan assets (-):						
Pension Plan Assets	(14,456)	-	-	(16,498)	-	-
Insurance Policy	(23,516)	-	-	(21,730)	-	-
Actuarial profit not recognised on the balance sheet (+)	-	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (-)	(35)	-	-	(21)	-	-
Cost past services not yet recognised on the balance sheet (-)	(741)	-	-	(848)	-	-
Other assets not recognised on the balance sheet	408	-	-	468	-	-
(Other assets) / Provisions recognised on the balance sheet	**(3,317)**	**26,785**	**140**	**(3,282)**	**19,958**	**-**

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

	Thousands of euros					
	2010			2009		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
(Other assets) / Provisions opening balance for the year	**(3,282)**	**19,958**	**-**	**(2,926)**	**21,150**	**-**
Incorporation Caixa Rural de Balears	-	-	139	-	-	-
Incorporation Entities Grupo Cooperativo	(67)	-	1	(113)	1	-
Provisions	1,967	12,512	-	2,278	3,961	-
Recovered funds	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Cash outflow	(1,935)	(5,685)	-	(2,521)	(5,154)	-
(Other assets) / Provisions closing balance for the year	**(3,317)**	**26,785**	**140**	**(3,282)**	**19,958**	**-**

The breakdown of total expenses and income recognized on the consolidated income statement in relation to pensions during 2010 and 2009, distributed between the different items, is as follows:

	Thousands of euros	
	2010	2009
Personnel expenses (ordinary cost for the period) (Note 25)	(1,415)	(1,411)
Interest expense and similar charges (cost of interest) (Note 25)	(2,148)	(2,418)
Interest and similar earnings (earnings from Plan assets) (Note 25)	1,530	1,414
Provisions (Note 25):		
Payment to pensioners	(23)	(35)
Actuarial gains and losses	2,238	129
Cost of past services	(106)	(106)
Other (settlement reduction effect)	(14,555)	(3,847)
Accounting (expense)/income	**(14,479)**	**(6,274)**

The contributions for defined benefit pension commitments made by the Group in 2010 and 2009 to the external pension plan totalled 6,791 euros and 5,586 thousand euros, which have been recorded under the heading "Personnel expenses" in the consolidated income statement for those years (Note 25).

No contingent liabilities have arisen as a result of severance payments and/or post-employment benefits for employees.

There are no amounts that have not been recognised in the balance sheet with respect to actuarial gains (losses), cost of past services and unrecognised assets.

Provisions for contingent risks and commitments

The details of this consolidated balance sheet caption and the movements which occurred during 2010 and 2009 are as follow:

	Thousands of euros		
	Specific Hedges	General Hedges	Total
Balance at 31 December 2008	**3,503**	**6,591**	**10,094**
Provisions (Note 25)	5,844	1,655	**7,499**
Recoveries (Note 25)	(1,130)	(5,553)	**(6,683)**
Incorporation Entities Grupo Cooperativo	252	412	**664**
Other movements	-	19	**19**
Balance at 31 December 2009	**8,469**	**3,124**	**11,593**
Provisions (Note 25)	1,647	549	**2,196**
Recoveries (Note 25)	(7,670)	(2,502)	**(10,172)**
Incorporation Caixa Rural de Balears	65	1,176	**1,241**
Incorporation Entities Grupo Cooperativo	3	26	**29**
Other movements	121	68	**189**
Balance at 31 December 2010	**2,635**	**2,441**	**5,076**

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 2010 and 2009 is as follows:

	Thousands of euros			
Year 2010	Market	Sundry	Other responsibilities	Total
Opening balances	**21,140**	**2,416**	**30,872**	**54,428**
Provisions (Note 25)	2,276	6,553	7,181	**16,010**
Incorporation Caixa Rural de Balears	-	-	590	**590**
Incorporation Entities Grupo Cooperativo	-	-	462	**462**
Recovered funds (Note 25)	(18,591)	(2,000)	(23,631)	**(44,222)**
Funds used and other changes	(202)	(718)	(13,127)	**(14,047)**
Closing balances	**4,623**	**6,251**	**2,347**	13,221

	Thousands of euros			
Year 2009	Mercado	Diversos	Otras responsabilidades	Total
Opening balances	**19,612**	**3,772**	**28,046**	**51,430**
Provisions (Note 25)	6,610	-	8,787	**15,397**
Incorporation Entities Grupo Cooperativo	-	-	1,586	**1,586**
Recovered funds (Note 25)	(5,482)	-	(6,441)	**(11,923)**
Funds used and other changes	400	(1,356)	(1,106)	**(2,062)**
Closing balances	**21,140**	**2,416**	**30,872**	54,428

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

> Market risk, due to the activity carried out by the Group with respect to investments that will probably give rise to contingencies that must be covered.

> Sundry risks, for which provisions have been recorded covering unresolved issues that the Group believes will result in a probable payment.

> Other liabilities, estimating probable payments deriving from the Group's normal activities.

In 2010 and 2009 there have been no significant movements.

17. Minority interests

Details of this caption on the accompanying consolidated balance sheets at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Hotel Envia Golf S.L.	(1,156)	-
Cimenta2 Gestion e Inversiones S.L.	12,622	-
Other	-	(1)
Total	**11,466**	**(1)**

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 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Opening balance	**(3,046)**	**8,752**
Net changes in the fair value of debt securities	(12,016)	1,426
Net incorporation of debt securities from Entities of Grupo Cooperativo	(51)	28
Net incorporation of debt securities from Entities of Caixa Rural de Balears	(1,609)	-
Net changes in the fair value of equity instruments	(1,803)	(12,881)
Net incorporation of equity instruments from Entities of Grupo Cooperativo	832	718
Net incorporation of equity instruments from Entities of Caixa Rural de Balears	465	-
Sale of available-for-sale financial assets	(4,765)	(224)
Net changes of entities accounted for by the equity method	(201)	(865)
Closing balance	**(22,194)**	**(3,046)**

Changes in the fair value of debt securities relate to the recognition of fair value, net of the tax effect, of fixed-income securities and the changes in the fair value of equity instruments relates to restatements, net of the tax effect, of equity instruments measured at fair value.

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

Movement in these captions during the years 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Opening Balance		
Capital booked under Equity (1)	958,465	678,342
Capital refundable on demand booked under Liabilities (2)	173,904	145,156
Total subscribed capital (1) + (2)	**1,132,369**	**823,498**
Increases	312,715	553,361
Decreases	(223,174)	(267,917)
Incorporation Caixa Rural de Balears	28,999	-
Incorporation Entities Grupo Cooperativo	1,080	23,427
Closing Balance		
Total subscribed capital (3) + (4)	**1,251,989**	**1,132,369**
Capital booked under Equity (3)	1,070,741	958,465
Capital refundable on demand booked under Liabilities (4)	181,248	173,904

At 31 December 2010 the Governing Body of Grupo Cooperativo Cajamar has classified 31,831 thousand euros relating to the various capital amounts held in the Entities participating in the Cooperative Group, except for the Lead Entity, as Group capital and reserves under the heading “Other equity instruments”.

The capital relating to Cajamar as the Lead Entity of the Cooperative Group at 31 December 2010 totals 1,220,072 thousand euros (1,108,942 thousand euros at 31 December 2009) of which 1,038,910 euros is classified under equity (958,465 thousand euros at 31 December 2009). Cajamar’s minimum share capital, according to Article 47.1 of the by-laws, is set at 6,100 thousand euros and is variable and formed by mandatory contributions of 61 euros each.

The contributions of members to the share capital of Cajamar are represented by sequentially numbered registered shares. The total amount that a single member can contribute to share capital cannot exceed 2.5% for individuals and 5% for companies. At the end of 2010 and 2009 the largest contribution equalled 0.01% of share capital.

Contributions to Cajamar’s share capital accrue the interest agreed by the General Assembly, which is subject to the limits established by current legislation. During the year interest has been settled by charging the surplus obtained in 2009 in the amount of 31,433 thousand euros and interest totalling 36,632 thousand euros that had been paid on account at the year end (Note 5), of which 5,428 thousand euros were charged against the income statement for compensation for “Capital reimbursable on demand” (Notes 5 and 25), and 31,204 thousand euros was charges against Equity in the balance sheet.

In addition, the capital relating to Caja Campo as a participant Entity in the Cooperative Group in accordance with the contractual terms that govern the creation of the Grupo Cooperativo Cajamar (Note 1.1) at 31 December 2010 totals 29,657 thousand euros (23,354 thousand euros at 31 December 2009) recorded in full under equity. Caja Campo's minimum capital is set at 601 thousand euros, and it has been fully subscribed and paid. The mandatory contributions in accordance with Article 18 of the by-laws, will be represented by registered shares with a single value of 60.10 euros.

The by-laws stipulate that the Ordinary General Assembly is responsible to establish the interest that will be paid on share capital contributions made to Caja Campo when the interest rate is not set in the conditions governing the issue and no interest exceeding six points above the legal interest rate can be paid. This interest cannot exceed the basic interest rate at the Bank of Spain plus three points.

Compensation for capital charged against the surplus obtained by Caja Campo in 2010 totals 940 thousand euros (1,117 thousand euros in 2009).

The share capital relating to Caja Rural de Casinos as an Entity participating in Cooperative Group, in accordance with the contractual terms governing the creation of Grupo Cooperativo Cajamar (Note 1.1) at 31 December 2010 totals 143 thousand euros (143 thousand euros at 31 December 2009) of which 90 thousand euros are classified under Equity (90 thousand euros at 31 December 2009). The share capital of Caja Rural de Casinos is variable and the minimum is 90 thousand euros, fully subscribed and paid in. All of the securities representing member contributions, whether mandatory or voluntary, will have a single value of 60.10 euros, although multiple securities may be issued.

Caja Rural de Casinos did not pay any compensation for its capital at the end of 2010 and 2009.

Caixa Rural de Albalat has considered the amount exceeding 1,052 euros to be a financial liability, 10 thousand euros at 31 December 2010 (9 thousand euros at 31 December 2009). This minimum share capital amount, which is not recognised as capital as it is considered to be a financial liability, is the minimum established by the Order issued by the Ministry of Finance on 25 May 1998 which authorises the creation of this credit cooperative, and one of the requirements is that the initial minimum share capital be 1,052 thousand euros, in accordance with the minimum share capital amount established by Article 6 of Law 13/89 (26 May) on Credit Cooperatives and Article 3 of Royal Decree 84/1993 (22 January), which approved the enabling regulations for the aforementioned law.

The share capital of Caixa Petrel at 31 December 2010 and 2009, excluding the portion of capital that is considered to be a financial liability (23 thousand euros at 31 December 2010 and 22 thousand euros at 31 December 2009), is made up of mandatory member contributions totalling 866 thousand euros.

The minimum capital for Caixa Rural de Turis is set at 98 thousand euros, fully subscribed and paid in, in accordance with the provisions of R.D. 84/1993 (22 January). In accordance with Article 18 of the by-laws, the mandatory obligations will be represented by registered shares with a par value of 66.11 euros and 264.44 euros. The Entity complies with the legally required minimums relating to share capital in accordance with applicable legislation at 31 December 2010.

20. Reserves

Details of the "Reserves" caption under "Equity" on the accompanying consolidated balance sheets at 31 December 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Accumulated reserves		
Mandatory Reserve Fund	1,117,244	1,035,355
Revaluation Reserves - Royal Decree-Law 7/1996	8,932	2,814
Revaluation Reserves generated by IFRS and Bank of Spain Circular 4/2004	69,809	63,078
Other reserves	(19,857)	17,298
Voluntary Reserve Fund	61,074	66,810
Carryover included from Caixa Rural de Balears	2,086	-
Carryover included from Entities of Grupo Cooperativo	-	1,668
Consolidation Reserves	7,657	21,662
Total accumulated reserves	**1,246,945**	**1,208,685**
Reserves (losses) in entities accounted for by the equity method		
Associates	13,652	(3,764)
Jointly-controlled entities	-	-
Total reserves (losses) in entities accounted for by the equity method	**13,652**	**(3,764)**
Total Reserves	**1,260,597**	**1,222,221**

Mandatory Reserve Fund

The Mandatory Reserve Fund has the objective of consolidating and guaranteeing the Group. In accordance with Law 13/1989 on Credit Cooperatives amended by Law 27/99 (16 July) the allocation to the reserve represents at least 20% of the net surplus.

The Lead Entity's by-laws stipulate that the Mandatory Reserve Fund will receive 80% of the surplus obtained each year (Note 1.4).

Restatement reserves Royal Decree-Law 7/1996, (7 June)

The balance of this heading showed no movement during 2010 and 2009 and it relates exclusively to the account "Revaluation Reserve Royal Decree-Law 7/1996", which derives from the restatement of some tangible assets in 1996 by the target company Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1).

As from the date on which the balance of the account "Revaluation reserve Royal Decree-Law 7/1996" has been examined and agreed by the tax authorities or after the three year period for its inspection has elapsed, it may be used to offset losses arising in the current year or previous or future years or to increase the Company's share capital without accruing tax. This balance may be taken to freely distributable reserves provided that the monetary capital gain has been realised. The surplus will be deemed to have been realised in respect of the portion relating to the depreciation that has been taken for accounting purposes or when the revalued assets have been transferred or written off the accounting records. If the balance of this account is applied in any manner not permitted by Royal Decree-Law 7/1996, the balance becomes subject to taxation.

In the opinion of the Bank's Governing Board, once the established period has elapsed, the entire balance of this reserve will be taken to the Voluntary Reserve.

This reserve may be used to increase share capital, in which case it will not accrue taxes.

The revaluation reserves generated by the new legislation

The balance of this account relates to the reserve generated for the restatement of property, plant and equipment carried out in accordance with the provisions of IFRS 1, and Transitional Provision One, section B, of Bank of Spain Circular 4/2004, and subsequent amendments, according to which at 1 January 2004 any item included under property, plant and equipment may be stated at fair value, subject to some conditions.

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 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Grupo Inmobiliario Aguamar S.L.	-	(16,481)
Inversiones Turísticas y Hoteleras INMO, S.L.	(657)	(578)
Tino Stone Group, S.A.	347	325
Cultipeix, S.L.	(1,994)	(1,994)
Parque Innovación y Tecnología de Almería, S.A.	(370)	(2,514)
Cajamar Vida, S.A. de Seguros y Reaseguros	12,005	17,875
Apartamentos Media Luna S.L.	4,980	-
Other associates	(659)	(397)
Total	**13,652**	**(3,764)**

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 2010 and 2009, equity and capital requirements for Cooperative Group, taking into account the distribution of results (Note 5), under the legislation applicable at those dates, are as follows:

	Thousands of euros	
	2010	2009
Capital adequacy	2,401,727	2,277,094
Tier two eligible capital	259,944	466,436
Credits	(26,407)	(27,763)
Total eligible capital base	**2,635,264**	**2,715,767**
Total eligible capital requirements	**1,539,585**	**1,521,938**
Eligible capital surplus/deficit	**1,095,679**	**1,193,829**
Solvency ratio	**13.7%**	**14.3%**

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 31,680 thousand euros and 51,491 thousand euros at 31 December 2010 and 2009, respectively.

21. Promotion and Education Fund

The creation of the 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 an Development Fund and the most significant in 2010 and 2009 are as follows:

> Through the Experimental Station operated by Fundación Cajamar, those relating to research projects involving optimising greenhouse cultivation, fruit farming, efficient use of water and greenhouse cover materials, natural pollination and techniques for biological control of farmland. Agricultural advisory services have been rendered to farmers and cooperatives that requested them, encouraging the exchange of results obtained from its research and experiments. In 2009 the Foundation has launched improvement projects regarding environmental efficiency and the development of renewable energies.

> The Study Service at Fundación Cajamar continues to strengthen knowledge of the production environment and social development through analysis work, industry studies, publishing of reports and monographic series, organization of courses and technical seminars and socio-cultural actions and social development of various areas that make up the primary areas of the Entity's influence.

> Support has been provided for cooperatives, local development and rural environments, as well as support for social, assistance and cultural development within the geographic area in which the Company carries out its activity. The financial support for these projects, promoted by civil society, has translated into direct assistance to institutions and non-profit associations.

> In 2010 the Education and Development Fund has made intense efforts within the area of supporting and encouraging corporate volunteers and these efforts translate into a higher commitment from the Entity and the persons making of the local communities. This support has also translated into commitment with certain international cooperation projects and humanitarian action.

> Support has been maintained for the University of Almeria through the conclusion of a cooperation agreement, as well as the Acremar employee association for programmes and initiatives towards economic, social and cultural development.

The management of the Education and Development Fund falls to the Governing Bodies of participating entities, or to the persons delegated by them with respect to specific actions. Its members prepare a budget proposal based on the purposes established in the basic lines of application and it is submitted for the approval of the General Assemblies at the ordinary meeting held each year.

The Fund's activities have been brought into line with the basic lines of application approved by General Assemblies and the items that contribute to the promotion of the cultural environment are notable, as are those intended to strengthen the values of the cooperative movement.

The itemised breakdown of the balances related to the Group's Education and Development Fund, at 31 December 2010 and 2009, is the following:

	Thousands of euros	
	2010	2009
Application of the Education and Development Fund		
Tangible assets:	**2,180**	**3,535**
Cost	5,945	6,891
Accumulated depreciation	(3,765)	(3,356)
Asst impairment adjustments	-	-
Other debtor balances	**223**	**-**
Total	**2,403**	**3,535**
Education and Development Fund		
Appropriation:	4,006	3,539
Applied to tangible assets (Note 12)	2,180	3,535
Applied to other investments	-	-
Expense commitments undertaken during the year	6,438	17,223
Maintenances expenses for the year in progress	(6,292)	(19,769)
Amount not committed to	432	199
Surplus	1,248	2,351
Revaluation reserves	-	-
Other liabilities	269	2,000
Total	**4,275**	**5,539**

The Education and Development Fund's expenses and investments budget for 2010 and 2009 for the Entities comprising Grupo Cooperativo Cajamar is follows:

	Thousands of euros	
	2010	2009
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	5,390	16,571
Caja Campo Caja Rural, Sociedad Cooperativa de Crédito	503	600
Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana	37	52
Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana (*)	73	-
Caja de Crédito de Petrel, Caja Rural Cooperativa de Crédito Valenciana (*)	400	-
Caixa Rural de Turís, Cooperativa de Crédito Valenciana (*)	35	-

(*) Entities joining the Cooperative Group in 2010.

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 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Opening balance	**5,539**	**5,828**
Distribution of previous year surplus	5,831	16,628
Maintenance expense for the year	(5,894)	(19,214)
Incorporation Entidades Grupo Cooperativo	429	297
Other	(1,630)	2,000
Closing balance	**4,275**	**5,539**

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.a).

In 2010 and 2009 no significant transactions were carried out and none took place under non-market conditions with parties related to the Group.

At 31 December 2010 and 2009, the Parent's balances generated as a result of transactions with associated parties are as follows:

	Associates		Other related entities		Board Members and Directors			
	2010	2009	2010	2009	2010	2009	2010	2009
					Direct		Indirect	
Assets								
Loans	59,032	93,390	1,135	68,159	3,614	2,965	88,510	44,184
Deposits to Group Entities	-	-	1,306	-	-	-	-	-
Credit risk hedges (-)	(1,476)	(2,335)	(54)	(526)	(69)	(12)	(2,186)	(346)
Investments	22,361	62,001	-	-	-	-	-	-
Investment provisions (-)	(2,402)	(26,308)	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Liabilities								
Term deposits	25,357	22,114	89,064	9,703	580	1,157	8,336	3,360
Other demand deposits	29,003	57,663	1,003	13,043	1,415	379	13,665	4,415
Memorandum Accounts								
Financial guarantees	3,447	4,141	3,234	4,927	38	43	9,316	4,691
Available	3,720	31,169	2,457	24,481	432	143	16,272	12,298
Gains and Losses								
Income:								
Interest and similar income	57	390	62	1,274	48	156	1,377	1,243
Income from variable income portfolio	-	-	-	-	-	-	-	-
Fee and commission income	191	156	1	223	2	7	142	184
Other products	2,035	-	-	-	-	-	-	-
Expenses:								
Interest and similar charges	1,234	205	1,427	611	38	29	287	149
Fee and commission expense	-	1	-	-	-	-	-	-
Other expenses	12,695	21,940	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2010 and 2009 with parties related to the Parent are as follows:

	Thousands of euros	
	Related parties	
Outstanding balances	2010	2009
Loans:		
Amount	153,597	208,698
Interest rate	0.95% a 7.00%	0.83% a 8.50%
Guarantee	Personal and mortgage	Personal and mortgage
Term to maturity	1 to 40 years	1 to 40 years
Deposits:		
Amount	168,423	111,834
Interest rate	0.01% a 5.67%	0.10% a 5.61%
Term to maturity	1 to 4 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 2010 and 2009:

	Thousands of euros	
	2010	2009
Governing Board		
Mr. Antonio Pérez Lao	38	37
Mr. Juan de la Cruz Cárdenas Rodríguez	37	33
Mr. Francisco Colomer de la Oliva	-	17
Mr. Antonio Pita Reyes	42	4
Mr. Luis de la Maza Garrido	36	34
Mr. José Sebastián Millaruelo Aparicio	10	17
Mr. Ángel Lirola Suárez	45	44
Mr. Francisco Lorente Brox	46	44
Mr. Ramón Aliaga Carrión	14	14
Mr. Antonio Luque Luque	46	45
Mr. Francisco Belmonte López	13	13
Mr. José Manuel Moreno Ferreiro	20	23
Mr. Francisco Elias Góngora Cañizares	16	14
Mr. José Antonio Santorromán Lacambra	19	16
Mr. Agustín Miguel Sánchez Martínez	19	15
Mr. Rodrigo Muñoz Rodríguez	11	11
Total	**412**	**381**

Compensation for Executives in 2010 and 2009 is set out in the following table on an aggregate basis and these reports include compensation for four Executive Directors and three General Managers.

	Thousands of euros									
	Fixed remuneration		Variable remuneration		Social Security expenses		Compensation for termination of employment		Post-employment benefits	
Directors	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Directors	822	697	33	24	24	26	-	-	1,336	527
Members of the Governing Board	1,143	1,104	30	30	20	27	-	-	27	346
Total	**1,965**	**1,801**	**63**	**54**	**44**	**53**	**-**	**-**	**1,363**	**873**

At 31 December 2010 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 1,363 thousand euros and the payments made in 2009 totalling 873 thousand euros are presented in the same manner.

24. Tax assets and liabilities - Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2010 and 2009, respectively, is as follows:

	Thousands of euros			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Current	11,824	14,095	16,026	2,771
Deferred	145,333	41,266	113,785	49,657
Total	**157,157**	**55,361**	**129,811**	**52,428**

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 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Timing differences:	**91,709**	**84,815**
Goodwill on asset acquisition	922	747
Impairment losses on available-for-sale financial assets	8,266	8,530
Pension funds and other insurance	4,565	4,186
Unpaid fees and commissions (BoS, 4/2004)	1,996	2,518
Early retirement and termination fund	6,889	4,973
Loan impairment losses	35,128	44,875
Funds and provisions made	7,358	14,377
Business combination	349	-
Credit investment at fair value	15,472	6,987
Under-valuation of available-for-sale financial assets	7,009	878
Other	3,755	2,682
Credit for losses to be offset from the year	**47,037**	**16,321**
Entitlements to deductions and allowances pending application	**6,587**	**6,711**
Total deferred tax assets	**145,333**	**113,785**
Timing differences:		
Revaluation of property	34,417	31,277
Revaluation of available-for-sale financial assets	382	-
Special depreciation and others	6,467	18,380
Total deferred tax liabilities	**41,266**	**49,657**

There are no tax assets relating to positive temporary differences, tax-loss carry forwards or unrecorded tax credits for deductions at 31 December 2010 and 2009.

The reconciliation between the year's income and the taxable income corresponding to the years 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Profit from period, before the income tax	**33,339**	**70,364**
Increases due to permanent differences	326	23
Decreases due to permanent differences	(34,653)	(45,584)
Adjusted profit from period	**(988)**	**24,803**
Increases due to timing differences taken to Profit and Loss	22,419	73,820
Decreases due to timing differences taken to Profit and Loss	(155,894)	(123,457)
Taxable income	**(134,463)**	**(24,834)**

	Thousands of euros			
	2010		2009	
	Accrued tax	Tax liability	Accrued tax	Tax liability
Tax:				
On adjusted income	690	-	5,668	-
On taxable income	-	283	-	12
Credits	(268)	(58)	(929)	-
Other items	-	-	-	-
Expense/Tax rate	**422**	**225**	**4,739**	**12**
Prior year`s income tax adjustment	(903)	-	(121)	-
Deferred tax adjustment, Law 35/2006	-	-	-	-
Withholdings	-	(358)	-	(277)
Payment by instalments	-	(468)	-	(3,931)
Expense/Tax payable	**(481)**	**(601)**	**4,618**	**(4,196)**

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 2010 and 2009 the Group charged the following amounts against its consolidated equity (deferred taxes), as follows:

	Thousands of euros	
	2010	2009
Revaluation of Tangible Assets	31,653	31,277
Variable Income Securities at Fair Value (Note 7.4.d.)	(888)	(680)
Fixed income Securities at Fair Value (Note 7.4.d.)	(6,351)	(198)
Fair value of credit investments and non-current assets for sale	(15,714)	-
Total	**8,700**	**30,399**

Movements in corporate income tax expenses and revenues reflected in the statement of recognised revenues and expenses totalling 6,366 thousand euros at 31 December 2010 (4,797 thousand euros at 31 December 2009), relate exclusively to the heading Available-for-sale financial assets.

As is mentioned in Note 1.1, in 2010 a merger involving the takeover of Caja Rural de Balears, Sociedad Cooperativa de Crédito took place. This merger has applied the system for special merger, spin-off, asset contribution and share swap governed by Title VII, Chapter VIII of Legislative Royal Decree 4/2004, which approved the Spanish Corporate Income Tax Act.

The latest balance sheet for Caja Rural de Balears, Sociedad Cooperativa de Crédito is included in Note 3.23 of these annual accounts. During the business combination process, the assets, liabilities and contingency liabilities relating to Caja Rural de Baleares, Sociedad Cooperativa de Crédito have been included in the financial statements for Cajamar at the same value they had at the transferring entity (fair value).

No tax benefits have been applied by Caja Rural de Baleares, Sociedad Cooperativa de Crédito for which Cajamar must meet certain requirements in accordance with the provisions of Article 90.1 and 90.2 of Legislative-Royal Decree 4/2004, which approved the Spanish Corporate Income Tax Act.

The Group's tax returns for all the years established by current legislation are open to inspection. Due to the different interpretations of some transactions carried out by the Group and to which current Spanish legislation lends itself, there could be certain contingent tax liabilities which cannot be objectively quantified. However, the Governing Body of the Lead Entity and its tax advisers view the possibility of materialisation of such tax contingencies in any future inspection as remote, and consider in any event that any additional assessments that might be raised would not significantly affect these annual accounts.

25. Breakdown of the consolidated income statement

The most significant headings in the accompanying consolidated income statement at 31 December 2010 and 31 December 2009 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	
	2010	2009
Interest and similar income		
Deposits with central banks	3,036	3,626
Loans and advances to credit institutions	10,895	3,698
Loans and advances to other debtors	873,740	1,092,247
Debt securities (Notes 7.4.a and 7.6)	22,222	6,689
Non-performing assets	3,727	6,813
Income adjustments due to hedging operations	-	-
Income from insurance contracts linked to pensions and similar obligations	9	-
Other interest:		
Income from Pension Plan assets (Note 16)	1,530	1,414
Other:	2,175	1,828
Total	**917,334**	**1,116,315**
Interest expense and similar charges		
Deposits from central banks	(6,569)	(19,990)
Deposits from credit institutions	(15,389)	(15,591)
Deposits from other creditors	(419,923)	(461,446)
Debt certificates including bonds	(96,960)	(72,112)
Subordinated liabilities (Note 7.7.e)	(3,355)	(6,081)
Expense adjustments due to hedging operations	59,597	11,006
Pension fund interest costs (Note 16)	(2,148)	(2,418)
Other interest	(1,455)	(274)
Total	**(486,202)**	**(566,906)**

	Thousands of euros	
	2010	2009
Remuneration of capital refundable on demand (Note 19)	**(5,428)**	**(5,418)**

> Return on equity instruments

The details of this caption on the consolidated income statements for 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Return in equity investments		
Investments in associates (Note 11)	-	-
Other equity instruments (Note 7.4.b.)	2,016	1,795
Total	**2,016**	**1,795**

> 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 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Acuariums de Almería S.L.	(18)	(56)
Apartamentos Media Luna S.L.	357	-
Cajamar Vida, S.A. de Seguros y Reaseguros	7,293	3,621
Agrocolor S.L.	82	163
Grupo Inmobiliario Aguamar, S.L.	-	(8,785)
Inversiones Turísticas y Hoteleras INMO, S.L.	-	2,770
Tino Stone Group, S.A.	(1,444)	(296)
Other associates	(830)	(416)
Total	**5,440**	**(2,999)**

> 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 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Fee and commission income		
From contingent exposure	8,642	8,097
From contingent commitments	5,006	4,889
From exchanges of currency and notes from foreign banks	779	644
From collection and payment services	55,411	50,210
From securities services	1,516	1,495
From the marketing of non-bank financial products	19,889	20,267
Other commissions	18,198	14,407
Total	**109,441**	**100,009**
Fee and commission expense		
Brokerage fees in asset and liability operations	-	-
Commissions ceded to other entities and agents	(13,089)	(12,780)
Commissions paid for securities operations	(7)	(2)
Other commissions	(3)	-
Total	**(13,099)**	**(12,782)**

> Results from financial operations

The details of this caption on the consolidated income statements for 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Results from financial operations (Net)		
Portfolio	434	237
Other instruments at fair value with changes on profit and loss	1,375	(657)
Financial assets on sale	6,664	1,042
Credit investments	11	-
Investments to maturity	-	-
Financial liabilities at amortized cost	28,092	13,235
Accounting hedging not included in interests:		
Hedging derivatives	26,079	56,607
Covered balances	(24,428)	(50,806)
Other:		
Securiticised commissions written-off (Note 7.5.b.4)	9,191	11,935
Other	21	-
Total	**47,439**	**31,593**

> Other operating revenues (compensating fees)

The details of this caption on the consolidated income statements for 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Income from investment properties (Note 12)	6,150	4,734
Income from tangible assets leased out under an operating lease	-	13
Sales and other income from the provision of non-financial services	17,052	17,511
Rest of operating income:		
Financial commissions to offset direct costs	8,440	9,059
Expenses included in assets	-	-
Compensation from insurance companies	160	28
Other recurring income	21,629	4,631
Other non-recurring income	(1,981)	111
Total	**51,450**	**36,087**

> Other operating expenses

The details of this caption on the consolidated income statements for 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Variation in inventories	(22,374)	(8,493)
Expenses from investment properties (Note 12)	(330)	(179)
Contribution to deposit guaranteed funds (Note 3.17)	(11,704)	(10,066)
Other operating expenses	(2,328)	(4,096)
Total	**(36,736)**	**(22,834)**

> Personnel expenses

The details of this caption on the consolidated income statements for 2010 and 2009 are as follows:

	Thousands of euros	
	2010	2009
Salaries and bonuses paid to active personnel	(181,368)	(175,642)
Social Security contributions	(45,042)	(41,682)
Contributions to define benefit plans (Note 16)	(1,415)	(1,411)
Contributions to define contribution plans (Note 16)	(6,791)	(5,586)
Compensation for termination of employment	(1,728)	(958)
Training expenses	(1,356)	(367)
Remunerations based on equity instruments	-	-
Other personnel expenses	(2,365)	(1,983)
Total	**(240,065)**	**(227,629)**

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	
	2010	2009	2010	2009
Average headcount				
Men	2,556	2,487	3,112	2,953
Women	1,763	1,688	2,150	2,020
Total	**4,319**	**4,175**	**5,262**	**4,973**

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

	2010		2009	
	Men	Women	Men	Women
Directors	38	10	29	9
Administrators and qualified managers	1,629	486	1,537	430
Administrative officers	943	829	915	731
Administrative assistants	438	767	461	845
Various	64	58	11	5
Other Group companies	-	-	-	-
Total	**3,112**	**2,150**	**2,953**	**2,020**

The average number of employees in 2010 at the Cooperative Group that have a disability equal or exceeding 33% (or equivalent classification) is 90.

Benefits-in-kind granted to the Lead Entity's employees in 2010 and 2009 totalled 1,273 thousand euros and 799 thousand euros, respectively, and these benefits are included in the collective wage agreement and consist of loans granted at lower than market interest rates.

> Other general administration expenses

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

	Thousands of euros	
	2010	2009
Property, fixture and tangible objects	(33,021)	(32,782)
IT	(9,068)	(6,535)
Communications	(5,426)	(3,789)
Advertising and publicity	(5,199)	(5,198)
Legal and lawyer expenses	(887)	(95)
Technical reports	(1,280)	(2,472)
Monitoring and fund transfer services	(4,603)	(4,591)
Insurance premiums and self-insurance	(955)	(848)
Governing and controlling bodies	(908)	(723)
Personnel representation and travelling expenses	(3,241)	(3,512)
Membership fees	(5)	(99)
Head office expenses charged to foreign branches	-	-
Outsourced administrative services	(7,931)	(10,609)
Contributions and taxes:		
For property	(1,025)	(608)
Other	(559)	(439)
Other expenses	(10,236)	(8,946)
Total	**(84,344)**	**(81,246)**

> Allocations to provisions (net)

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

	Thousands of euros	
	2010	2009
Provisioning expenses (net)		
Provisions to pension funds and similar obligations (Note 16)	(12,446)	(3,859)
Provisions for contingent exposures and commitments (Note 16)	7,976	(816)
Other provisions (Note 16)	28,212	(3,474)
Total	**23,742**	**(8,149)**

> Impairment losses on financial and other assets (net)

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

	Thousands of euros	
	2010	2009
Financial Assets		
Loans and receivables (Note 7.5.c)	(152,380)	(200,312)
Financial instruments not measured at fair value through profit or loss (available-for-sale financial assets) (Notes 7.4.c and 7.6)	(98)	(851)
Total	**(152,478)**	**(201,163)**
Other assets		
Goodwill and other intangible assets	(825)	-
Other assets:		
Non-current assets held for sale (tangible assets)	-	-
Investments	-	-
Tangible assets (Notes 12 and 15)	(2,110)	(25)
Rest of assets (Notes 3.24, 14 and 15)	(54,584)	(38,609)
Total	**(57,519)**	**(38,634)**

> 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	
	2010	2009
Gains on sales		
Tangible assets (Note 12)	1,746	294
Investment properties (Note 12)	-	-
Assets awarded in foreclosure	-	-
Intangible assets	-	-
Investments	-	632
Equity instruments	-	-
Other profits	-	-
Total	**1,746**	**926**
Losses in sales		
Tangible assets (Note 12)	(5,907)	(4,117)
Investment properties	(86)	(12)
Assets awarded in foreclosure	(34)	-
Intangible assets (Note 13)	(347)	(2,790)
Investments	(2,225)	(1,377)
Equity instruments	-	-
Other profits	-	-
Total	**(8,599)**	**(8,296)**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	**(6,853)**	**(7,370)**

> 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	
	2010	2009
Gains on sale		
Tangible assets (Note 12)	162	-
Investment properties	-	-
Assets awarded in foreclosure	2,290	1,138
Intangible assets	-	-
Investments (Note 11)	-	-
Equity instruments	-	-
Other profits	9	-
Total	**2,461**	**1,138**
Losses on sales		
Tangible fixed assets	(59)	(30)
Investment properties	-	-
Assets awarded in foreclosure (Note 10)	(5,526)	(2,620)
Intangible assets	-	-
Investments (Note 11)	-	-
Equity instruments	-	-
Other losses	-	-
Total	**(5,585)**	**(2,650)**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(3,124)**	**(1,512)**

> Result attributed to minority shareholders

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

	Thousands of euros	
	2010	2009
Hotel la Envia Golf S.L.	(105)	-
Cimenta2 Gestion e Inversiones S.L.	(3,071)	-
Other	-	(1)
Total	**(3,176)**	**(1)**

26. Segment reporting

> Segmenting by lines of business

Grupo Cooperativo Cajamar's core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Lead Entity segment and manage its operations through different lines.

> Geographical segmenting

Similarly, the Lead Entity and other companies that make up the Grupo Cooperativo Cajamar carry out their activities almost entirely in Spain and the type of customer is similar throughout Spain. Therefore the Lead Entity considers that there is a single geographical segment for Grupo Cooperativo Cajamar's entire operation.

27. Other information

Investment services

The details of investment and complementary services by instrument type, indicating the amount of securities and other managed financial instruments and the commissions recorded on the consolidated income statements, are as follows:

	Thousands of euros	
Year 2010	Customer fund	Fees and commissions
Type of investment service (products marketed by the Group)		
Securities	-	-
Investment funds	-	-
Pension funds	-	-
SICAV´s (investment companies with variable capital)	-	-
Total	**-**	**-**
Brokerage service (products marketed by the Group)		
Securities	-	-
Investment funds	360,746	1,680
Pension funds	586,491	16,841
SICAV´s (investment companies with variable capital)	284	16
Total	**947,521**	**18,537**
Deposited securities owned by third parties		
Subordinated liabilities	-	-
Equity instruments and debt securities	776,173	1,507
Total	**776,173**	**1,507**

	Thousands of euros	
Year 2009	Customer fund	Fees and commissions
Type of investment service (products marketed by the Group)		
Securities	-	-
Investment funds	156,768	499
Pension funds	-	-
SICAV´s (investment companies with variable capital)	-	-
Total	**156,768**	**499**
Brokerage service (products marketed by the Group)		
Securities	-	-
Investment funds	222,030	771
Pension funds	695,374	16,059
SICAV´s (investment companies with variable capital)	12,211	1,739
Total	**929,615**	**18,569**
Deposited securities owned by third parties		
Subordinated liabilities	-	-
Equity instruments and debt securities	713,062	1,495
Total	**713,062**	**1,495**

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.a.4) and "Other contingent commitments" for 2010 and 2009, grouped by counterparty and indicating the limit and amount pending liquidity, are as follows:

	Thousands of euros			
	2010		2009	
	Limit	Available	Limit	Available
Available to third parties:				
Credit institutions	3	3	-	-
Public administrations sectors	485,354	49,095	297,439	65,885
Other resident sectors	25,344,284	1,650,508	24,652,577	1,627,324
Non-residents	207,367	3,074	213,029	1,191
Total	**26,037,008**	**1,702,680**	**25,163,045**	**1,694,400**
Term commitments to acquire financial assets:	**-**	**259,917**	**-**	**-**
Callable capital:	**-**	**10,912**	**-**	**5,574**
Other contingent commitments:	**-**	**70,426**	**-**	**72,333**
Total contingent commitments	**26,037,008**	**2,043,935**	**25,163,045**	**1,772,307**

The average interest rate offered for these commitment is 1.62% in 2010 (4.69% in 2009).

External audit

The fees paid for the audit of the accounts and other services related to the Group, in 2010 and 2009, are as follows:

Year 2010	Thousands of euros		
Company	Annual Accounts audit	Other services	Total
PricewaterhouseCoopers	448	124	572
Deloitte S.L.	14	5	19
Apreblanc Asesores S.L.	-	3	3
Moore Stephens Ibergrup	7	2	9

Year 2009	Thousands of euros		
Company	Annual Accounts audit	Other services	Total
PricewaterhouseCoopers	391	77	468

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 8 thousand euros in 2010 (11 thousand euros 2009).

Customer Service

In compliance with Law 44/2002 (22 November) on Measures to Reform the Financial System, the Customer Ombudsman Regulations for Financial Services approved by Royal Decree 303/2004 (20 February), Order ECO/734/2004 (11 March) on Customer Service Departments and Customer Ombudsman services at financial institutions and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from other sales and operating areas to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights, whether deriving from contracts, transparency and customer protection legislation or good financial practices and uses, especially the principle of equitable treatment.

The Customer Service Department is governed by operating regulations approved by the Lead Entity's Governing Body, initially on 20 July 2004 and it was updated to the current version on 17 February 2010.

Accordingly, and by virtue of Article 17.2 of the aforementioned Ministerial Order, Grupo Cooperativo Cajamar's Customer Service Department prepares an annual summary explaining the work it has performed during the year.

The number of case files opened by the Customer Service Department as a result of the complaints and claims filed in 2010 totalled 938 and 147 of those case files were not admitted or are pending admission. The reasons a case file is rejected are those established by Articles 14 and 18 of the applicable regulations and, mainly, to the omission of essential information necessary to process the file, the nature of the claims made in the sales area or due to covering issues that have already been processed or resolved via court judgements. The Bank of Spain and the Spanish Stock Market Commission received 93 and 6 claims, respectively, and no complaints or claims were filed with the DGS or FP.

Based on their subject matter, the types of claims filed are as follows:

	2010		2009	
	Nº Claims	%	Nº Claims	%
Asset operations	416	44.35%	313	38.12%
Payment methods and other banking products	134	14.29%	87	10.60%
Liability operations	121	12.90%	125	15.23%
Collection and payment services	97	10.34%	117	14.25%
Securities, insurance and pension funds	59	6.29%	49	5.97%
Other	111	11.83%	130	15.83%
	938	**100.00%**	**821**	**100.00%**

The overall outcome of complaints and claims presented at 31 December 2010 and 2009 can be classified as follows:

	%	
	2010	2009
In favour of the claimant	14.39%	20.34%
In favour of the Entity	52.99%	44.09%
Waivers	1.39%	1.71%
Undecided/Unresolved	4.16%	3.17%
Rejected	13.11%	15.95%
In process	13.96%	14.74%
	100.00%	**100.00%**

In absolute terms, in light of the number of complaints and of the 684 claims resolved during the year, 21% have been resolved in favour of the customer and 72% in favour of the entity involved with the claim. The average time taken to resolve these issues was 41 calendar days and at the end of the year 131 files remained pending resolution, of which 42 fall under the authority of the Claims Service at the Bank of Spain, 5 under the authority of the Investment Office at the Stock Market Commission and the rest fall to the Customer Service Department.

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

At Caixa Rural de Balears, Sociedad Cooperativa de Crédito, 22 complaints and claims were received in 2010, of which 11 were rejected for not meeting the requirements and 11 were admitted for processing by the Customer Service Department. Of all the complaints and claims that were admitted, 10 were resolved in favour of the entity (90.91%) and 1 in favour of the claimant (9.09%).

All of the financial entities that are part of Grupo Cooperativo Cajamar are also part of the Service at all time.

Of all of the complaints and claims filed during the year, 907 were filed against Cajamar Caja Rural, 30 against Caja Campo, Caja Rural, S. Coop. de Crédito; and 1 against Caixa Rural Albalat dels Sorells, Cooperativa de Crédito Valenciana. No complaint or claim was filed against Caja Rural de Casinos, S. Coop. de Crédito V; or against Cajamar Gestión S.G.I.I.G., S.A.U., which ceased to be a management entity in the middle of the year.

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.

As regards 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 have been made within the legal and contractual deadlines.

The balance pending payment at 31 December 2010 is not significant and is payable in a period that is shorter than that established by Law 15/2010.

28. Requirements regarding reporting transparency

The information required by the Bank of Spain in the letter dated 18 January 2011 relating to the reporting transparency regarding the financing of the construction and development of real estate, financing to acquire residential properties and the assets acquired as payment of debts, as well as the financing needs and strategies, is provided in the various notes to the consolidated annual accounts for Grupo Cooperativo Cajamar:

- The quantitative information regarding the financing of the acquisition of homes and the construction and development of real estate is set out in Note 7.5.b.5.
- The risk management strategies and policies are set out in Note 6.
- The quantitative information regarding financing needs and strategies are set out in Note 7.8.
- The quantitative information relating to the assets acquired as payment for debts is as follows:

	Thousands of euros	
	Carrying value	Hedging
Investment properties proceeding from financing of real estate construction and developing entities	**508,165**	**115,448**
Finished buildings	*144,026*	*21,652*
Households	130,256	18,614
Other finished buildings	13,770	3,038
Buildings under construction	*50,670*	*13,806*
Households	50,670	13,806
Other buildings under construction	-	-
Land	*313,469*	*79,990*
Land for development	232,163	59,137
Other land	81,306	20,853
Investment properties from financing mortgages to private investors for the acquisition of housing.	**71,407**	**34,122**
Other allocated real estate assets	**8,371**	**10,615**
Equity investments, participation y financing activities to entities not consolidated, holders of these assets	**2,419**	**1,227**

29. Subsequent events

On 18 February 2011 Royal Decree-Law 2/2011 was published to reinforce the financial system in order to intensely strengthen the solvency of the credit institutions and their capacity for resistance, even in the most adverse and unlikely scenarios, and providing financing while guaranteeing the channelling of the loan into the real economy and, accordingly, growth and employment.

This Royal Decree stipulates that credit institutions must have primary capital totalling at least 8% of its total weighted risk exposure, calculated in accordance with the provisions of Law 13/1985 (25 May), investment ratios, equity and reporting obligations for financial intermediaries. In additional, this figure rises to 10% for those entities that have wholesale financing exceeding 20% when they have not placed at least 20% of their securities with third parties.

At 31 December 2010 the Cooperative Group maintains a primary capital ratio of 12.48% and therefore complies with the requirements established by this Royal Decree-Law.

Independent of the matters mentioned in these notes to the accounts, between 31 December 2010 and 24 March 2011, the date on which the Lead Entity's Governing Body prepared these annual accounts, no significant event has taken place that must be included in the accompanying annual accounts to adequately present a true and fair view of the equity, financial situation, results from operations, changes in equity and the cash flows recorded by the Group.

Appendix I. Breakdown of shareholdings at 31 December 2010

The details regarding the entities participating in the Group and the jointly-controlled entities whose balance sheets and income statements are integrated using the full and proportional consolidation methods are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Group Entities								
Caixa Rural Albalat Dels Sorells C.C.V. (a)	C/ Padre Salvador nº11.Valencia	Cooperative credit union	-	-	-	42,345	7,498	154
Caixa Rural de Turís C.C.V. (a)	Plaza de la Constitución nº 2. Valencia	Cooperative credit union	-	-	-	56,097	9,080	86
Caja Campo Caja Rural, S.C.C. (a)	Avda. Arrabal, 18. Requena. Valencia	Cooperative credit union	-	-	-	1,178,772	81,255	2,721
Caja de Crédito de Petrel,Caja Rural, C.C.V. (a)	C/San Bartolomé nº 2. Alicante	Cooperative credit union	-	-	-	149,991	17,737	438
Caja Rural de Casinos, S.C.V. (a)	Plaza Mayor 10. Casinos. Valencia	Cooperative credit union	-	-	-	43,778	4,811	171
Cajamar Gestión S.G.I.I.C., S.A.U. (a)	C/ Goya, 15-2º. Madrid	Fund manager	100.00%	-	2,579	2,577	2,568	(270)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería	Insurance broker	100.00%	-	60	1,983	162	36
Cajamar Renting, S.L.U. (b)	Plaza de Barcelona, 5. Almería	Rental of all types of goods	100.00%	-	59	59	59	-
Cimenta2 Gestión e Inversiones, S.L.U. (a)	Calle General Segura nº 8, entre planta. Almería	Property development	83.13%	-	65,549	398,749	72,481	(18,830)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provider of technological services	96.00%	1.00%	3	615	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Computer applications and supplies consultant	-	100.00%	12	120	28	2
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provider of IT services	100.00%	-	2,554	8,136	2,060	(1,719)
Hotel Envia Golf, S.L. (a)	Avda. Mariano Hernández,50. Roq. De Mar.Almeria	Developer in Envia Golf and las Salinas	-	83.13%	13,427	20,966	13,427	(2,292)
Sunaria Capital, S.L.U. (a)	Avda. Montserrat Edif. Brisas portal 7. Almería	Holding company	100.00%	-	7,681	16,717	5,136	(4,469)
Talia Formación S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Human Ressources consultant	-	100.00%	41	225	78	16
Tarket Gestión, A.I.E. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	General services	95.00%	2.00%	3	427	3	-
					91,969	**1,921,558**	**216,386**	**(23,954)**
Jointly-controlled Entities								
Safei Rural Málaga, S.A. (b)	Plaza de la Marina, 1. Málaga	Financial broker	50.00%	-	17	35	35	(1)
					17	**35**	**35**	**(1)**

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

Details regarding entities accounted for by the equity method at 31 December 2010 are as follows:

			% participación		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Associates								
Acuariums de Almería, S.L.	Avda, Reino de España s/n, Roquetas de Mar, Almería	Operation of an aquarium	-	25.00%	110	3,945	733	(72)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería	Quality certification	32.37%	-	18	2,118	1,479	253
Alevines del Sureste, S.L.	C/ Zinc s/n aptdo correos 160.Parque Empresarial Carabona	Fish farming	-	17.78%	-	3,588	616	213
Almagra Pro-2000, S.L.	Avda. Virgen del Rocío, Resd. Guadalcántara, Local 2. Málaga	Development and construction	23.50%	-	7	29	26	(3)
Apartamentos Media Luna S.L.	Avda. La Envia 45. Vicar. Almeria	Property development	-	41.57%	16,146	16,366	2,047	860
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería	Plague control	-	22.19%	378	3,289	1,837	(172)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	1,963	11,652	3,328	(835)
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	4,508	200,832	45,503	14,585
Cultipeix S.L. (b)	Camino Etxebarria, s/n. Burriana. Castellón de la Plana	Fish farming	-	21.28%	-	22,530	(4,933)	-
Iniciativas Económicas de Almería S.C.R., S.A. (a)	C/ Magistral Dominguez, 11-3º. Almería	Venture capital investment	24.97%	-	1,383	5,270	5,233	(472)
Inversiones Turísticas y Hoteleras INMO, S.L. (d)	Avda. de la Palmera 48, Sevilla	Property development	-	19.71%	-	15,308	2,903	(3,931)
Murcia emprende S.C.R., S.A. (c)	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	-	1,196	4,777	4,754	(110)
Occidental Arroyomolinos, S.L. (f)	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	-	24,327	1,439	(12)
Occidental Benalmádena, S.L. (f)	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	-	34,184	1,495	(426)
Parque Científico-Tecnológico de Almería, S.A. (e)	Campus Universidad Almería. La Cañada S. Urbano. Almería	Management of shopping areas	30.05%	-	4,800	49,951	16,119	(267)
Proyecta Ingenio, S.L.	Avda. Cabo de Gata, 23. Almería	Consulting in quality and agricultural procedures	-	24.90%	2	161	103	51
Sabinal Agroservicios, S.A.	Carretera de Ronda, 11, 1º-E. Almería	Agricultural cooperative services	50.00%	-	24	48	48	(234)
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Biotechnology applied to agriculture	19.23%	-	402	2,643	2,121	(94)
Tino Stone Group, S.A. (g)	Pol. Ind. Rubira Sola, s/n. Macael. Almería	Contruction subcontractor	24.96%	-	5,659	112,840	12,613	(736)
					36,596	**513,858**	**97,464**	**8,598**

(a) Company audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Company in liquidation process
(c) Company audited by ACR Auditors Group, S.L.
(d) Company audited by Deloitte auditores, S.L.
(e) Company audited by Audiconsa Auditores, S.L.
(f) Company audited by León y Martín Auditores, S.R.L.
(g) Company audited by Ernst & Young Auditores, S.L.

Appendix I. Breakdown of shareholdings at 31 December 2009

The details regarding the entities participating in the Group and the jointly-controlled entities whose balance sheets and income statements are integrated using the full and proportional consolidation methods are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Group Entities								
Caja Campo Caja Rural. S.C.C. (a)	Avda. Arrabal. 18. Requena. Valencia.	Cooperative credit union	-	-	-	1,265.856	89,035	2,574
Caja Rural de Casinos. S.C.V. (a)	Plaza Mayor 10. Casinos. Valencia	Cooperative credit union	-	-	-	44,785	5,399	211
Albabío Andalucía, S.L.U.	Avda. de la Estación, nº 40, 6ª planta. Almería	Waste recycling	-	100.00%	1,127	10,747	2,323	(1,259)
Cajamar Gestión S.G.I.I.C., S.A.U. (a)	C/ Goya, 15-2º. Madrid	Fund manager	100.00%	-	2,734	3,153	2,839	(81)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería	Insurance broker	100.00%	-	60	4,991	245	18
Cajamar Renting, S.L.U.	Plaza de Barcelona, 5. Almería	Rental of all types of goods	100.00%	-	59	59	59	-
Cimenta2 Gestión e Inversiones, S.L.U. (a)	Calle Navarro Rodrigo 9, planta 2, puerta A. Almería	Property development	100.00%	-	935	32,694	968	(1,017)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provision of technological services	96.00%	1.00%	3	648	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Computer applications and supplies consultant	-	100.00%	12	203	39	13
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provider of IT services	100.00%	-	3,839	8,405	3,779	(620)
Hiposervi, S.L.U. (a)	Plaza Antonio Gonzalez Egea, 2. Almería	Management-related services	100.00%	-	4	22,883	178	2
Sunaria Capital, S.L.U. (a)	Avda. Montserrat Edif. Brisas portal 7. Almería	Holding company	100.00%	-	10,602	23,518	8,974	(3,587)
Talia Formación S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Adult education and other types of education	-	100.00%	41	298	72	20
Tarket Gestión, A.I.E. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	General services	95.00%	2.00%	3	299	3	-
					19,419	**1,418,539**	**113,916**	**(3,726)**
Jointly-controlled Entities								
Safei Rural Málaga, S.A.	Plaza de la Marina, 1. Málaga	Fiancial broker	50.00%	-	18	36	36	(45)
					18	**36**	**36**	**(45)**

(a) Company audited by PricewaterhouseCoopers Auditores S.L.

At 31 December 2009 associated entities measured using the equity method are as follows:

			% participación		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Associates								
Acuariums de Almería, S,L,	Avda, Reino de España s/n, Roquetas de Mar (Almería)	Operation of an aquarium	-	25.00%	201	4,098	956	(226)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería	Quality certification	32.37%	-	18	2,101	1,585	504
Alevines del Sureste, S.L.	Paraje de la Hoya, Cabo Cope. Águilas (Murcia)	Fish farming	-	17.78%	65	2,574	(91)	(752)
Almagra Pro-2000, S.L.	Avda. Virgen del Rocío, Resd. Guadalcántara, Local 2. Málaga	Development and construction	23.50%	-	3	29	29	(44)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	2,138	5,083	4,118	(338)
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	4,508	359,694	50,280	7,242
Cultipeix S.L. (b)	Camino Etxebarria, s/n. Burriana (Castellón de la Plana)	Fish farming	-	21.28%	-	22,530	(16,482)	-
Grupo Inmobiliario Aguamar, S.L. (a)	Avda. Mariano Hernández, 50. Roquetas de Mar (Almería)	Development and construction	24.99%	-	14,285	242,787	59,269	(9,563)
Iniciativas económicas de Almería S.C.R., S.A. (c)	C/ Magistral Dominguez, 11-3º. Almería	Venture capital investment	24.97%	-	1,382	5,860	5,787	(124)
Inversiones Turísticas y Hoteleras INMO, S.L. (d)	Avda. de la Palmera 48, Sevilla	Property development	-	19.71%	-	23,438	14,964	26,818
Murcia emprende S.C.R., S.A. (b)	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	-	1,221	4,864	4,870	(86)
Occidental Arroyomolinos, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	363	20,586	1,453	(7)
Occidental Benalmádena, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	497	35,661	1,985	(10)
Parque Científico-Tecnológico de Almería, S.A. (e)	Campus Universidad Almería. La Cañada S. Urbano. Almería	Management of shopping areas	30.00%	-	4,800	32,018	9,217	10
Proyecta Ingenio, S.L.	Avda. Cabo de Gata, 23. Almería	Consulting in quality and agricultural procedures	-	24.90%	-	163	(5)	(64)
Sabinal Agroservicios, S.A.	Carretera de Ronda, 11, 1º-E. Almería	Agricultural cooperative services	50.00%	-	24	50	48	-
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Biotechnology applied to agriculture	19.23%	-	421	2,514	2,103	(172)
Tino Stone Group, S.A. (f)	Pol. Ind. Rubira Sola, s/n. Macael (Almería)	Construction subcontractor	25.00%	-	6,892	110,368	13,784	(1,200)
					36,818	**874,418**	**153,870**	**21,988**

(a) Company audited by PricewaterhouseCoopers Auditores, S.L.
(b) Company audited by ACR Auditors Group, S.L.
(c) Company audited by Asensio y Asociados Auditores Consultores, S.L.U.
(d) Company audited by Deloitte Auditores, S.L.
(e) Company audited by Audiconsa Auditores, S.L.
(f) Company audited by Ernst & Young Auditores, S.L.

Appendix II. Details of branches by geographic area

Province	Nº of GCC Branches 2010	2009
ANDALUCIA	**399**	**371**
Almería	202	178
Cádiz	14	13
Córdoba	3	4
Granada	24	24
Huelva	3	3
Jaén	3	2
Málaga	145	141
Sevilla	5	6
ARAGÓN	**2**	**2**
Zaragoza	2	2
ASTURIAS	**1**	**1**
BALEARES	**30**	**1**
CANTABRIA	**2**	**1**
CASTILLA-LA MANCHA	**21**	**21**
Albacete	9	9
Ciudad Real	1	1
Cuenca	8	8
Guadalajara	1	1
Toledo	2	2
CASTILLA Y LEÓN	**121**	**123**
Avila	9	9
Burgos	3	3
León	12	11
Palencia	20	20
Salamanca	1	1
Segovia	2	1
Soria	1	1
Valladolid	70	74
Zamora	3	3
CATALUÑA	**74**	**76**
Barcelona	67	69
Gerona	4	4
Lérida	1	1
Tarragona	2	2
COMUNIDAD VALENCIANA	**115**	**101**
Alicante	25	16
Castellón	2	2
Valencia	88	83
LA RIOJA	**1**	**-**
MADRID	**60**	**61**
MURCIA	**197**	**193**
NAVARRA	**1**	**-**
CEUTA	**1**	**2**
MELILLA	**2**	**2**
	1,027	**955**

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	23/10/09
	Mr. JOSÉ MARTÍNEZ CARMONA	Paterna del Río and Bayárcal	23/10/09
	Mr. JOSÉ LUIS MATARÍN GUIL	Alboloduy, Santa Cruz de Marchena (*), Alsodux (*) and Alhabia (*)	23/10/09
	Mr. FRANCISCO ORTA TORRES	Instinción and Rágol	23/10/09
	Ms. DOLORES RUBIO ALMANSA	Benizalón, Benitagla (*) and Alcudia de Monteagud (*)	23/10/09
	Mr. CECILIO SOLBAS MARTÍNEZ	Terque and Bentarique	23/10/09
Málaga			
	Ms. RAQUEL BERBEL CAPILLA	Alcaucín	23/10/09
	Ms. MARÍA CONCEPCIÓN RAMOS PASCUAL	Iznate	23/10/09
	Ms. CARMEN SOTO HERNÁNDEZ	Totalán	23/10/09
	Mr. ADRIANO VELA GÓMEZ	El Borge	23/10/09

(*) The agent is authorised to conduct activity in this location, but there is no local financial agency.

The services for which the agents have been authorised:

> Capture of deposits,
> Payment transactions,
> Issue and management of means of payment and
> Transactions regulated by the Stock Market Commission

Apart from the agreements reached with financial agents by the Lead Entity, no entity pertaining to the Cooperative Group had entered into any agreements at 31 December 2010 and 2009.

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 2010 the Group did not maintain any agreement in force with any person designated to recruit customers or to promote and market operations and services.

GRUPO COOPERATIVO CAJAMAR

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

Consolidated Management Report

Year 2010

Macroeconomic environment

> In all of 2010 the **Spanish economy** fell by -0.1% (compared with the -3.7% decline Spanish GDP experienced in 2009). During the fourth quarter GDP advanced by 0.2% on a quarter-on-quarter basis, after remaining stagnated during the third quarter it rose by 0.3% in the second and 0.1% during the first quarter of the year.

> The improvement in the economy during the last quarter of 2010 is the result of the better performance of both domestic and international demand. The negative contribution of domestic demand to GDP fell 0.1 during that period from -0.7 to -0.6 points, while international demand increased its positive contribution to aggregate growth by 0.3 from 0.9 to 1.2 points.

> On a year-on-year basis, the GDP generated by the Spanish economy recorded growth totalling 0.6% in the fourth quarter of 2010 compared with the same period in 2009. This is the first time that Spain ended a year below the average in the EuroZone (2.0%) since 1996.

> Analysing the performance of internal demand over the course of the year, final consumer spending rose by 0.7% in 2010 compared with the -2.3% decline in 2009 and the investments recorded less negative performance, reflecting a -7.6% decline compared with the -16.0% rate in 2009. In 2010 households increased spending by 1.3% while public institutions decreased spending by -0.7%. As regards foreign demand, exports increased by 10.3% in 2010 (compared with the -11.6% decline last year) and imports increased by 5.4% (-17.8% in 2009).

> The **Consumer Price Index** (CPI) increased by six tenths in December, which is its fifth consecutive monthly increase. Year-on-year inflation shot up by 0.7% and ended 2010 at 3% (its highest level since October 2008, when it reached 3.6%). The sharp spike in the year-on-year rate is fundamentally due to the increase in tobacco prices (after the taxes levied increased entered into force on 4 December) and transportation prices due to the increase in the cost of fuel (the average price of a barrel of Brent was $92 in December compared with $75 in the same month in 2009). Underlying inflation, which excludes fresh food and energy, and which is a more reliable indicator of price trends increased 0.3% to 1.5%. The Harmonised Consumer Price Indicator (HCPI) was 2.9% in December, 0.7% higher than the preceding month.

> The number of unemployed reached 4,100,073 at the end of 2010, the highest level ever in comparable past information, which starts in 1996. However, the rise in **unemployment** in 2010, 176,470 new job seekers (4.5% in relative terms) was much lower than the figures recorded in 2008 and 2009, years in which the lists at the public employment offices recorded 999,416 and 794,640 job losses, respectively. The increase in 2010 was therefore the third highest annual increase in unemployment in all of the comparable series, but the lowest since the crisis began. Of this figure, more than 4.1 million unemployed recorded at the end of the year, subsequently unemployment fell in December 10,221, 0.25% compared with last month. This fall ends four consecutive months of unemployment growth and is, in addition, the best data point in December for the past decade. Social Security ended 2010 with an average of 17,584,982 members, which means 218,857 workers less and a 1.23% decline compared with the previous year.

> The **price of oil** started 2010 at around $80/barrel, and fluctuated between $70 and $90/barrel until the end of the year when the depreciation of the dollar (as a result of the quantitative easing policy implemented by the Federal Reserve) and the economic growth in emerging economies such as China, drove the price of crude above $90/barrel, which had not been seen since October 2008. These two factors were joined by the cold temperatures that affected Europe and the United States, which caused a spike in demand for oil. The increase in speculative positions, regarding commodities in general and the price of oil in particular, and stimulated the rising trend affecting crude. The speculation once again became a determining factor in commodities prices and open derivative positions have returned to levels last seen at the beginning of 2008. However, the pressures on price did not just derive from demand, OPEC is against increasing production and Saudi Arabia, the leading oil exporter and leader of the cartel, is resisting increasing its current production level to its actual capacity. As a result, the winter weather in the short-term and the replacement of inventories that are currently below minimums, could lead oil to $100/barrel in February or March 2011.

> The **Ibex 35** ended the final session of the year at 9,859 points and ended the year with a 17.43% decline. The debt crisis in peripheral countries in the eurozone with excessive deficits, and the lack of confidence in the Spanish economy by investors, have given rise to the stock market index presenting the worst performance of all European indexes and the fourth largest decline of all world markets. This performance breaks the trend over the last few years, in which the Ibex 35 had beaten all other indexes (between 2005 and 2009 it rose by 31.49%, compared with the 14% on average obtained in the rest of Europe). Investors were very selective this year, which explains the disparity of results, and have fled from countries with the worst deficit problems and have focused on those regions in which the economic recovery is most robust.

> Doubts regarding the solvency of these lagging countries have negatively affected the euro in 2010. The common currency has fallen 7.4% against the dollar (the largest annual decline in 2005), among rumours that it could disappear or some country, such as Greece, could be expelled. These fears seem to have been placated at this time. The uncertainties relating to the euro coincided in time with the so-called “currency war”. Excepting the eurozone, the main economies in the world have attempted to weaken their currencies to generate an exit from the crisis through exports. Maintaining an undervalued exchange rate is something that China has been doing for 15 years, despite the repeated calls for it to float the yuan exchange rate. These pressures have added tension to markets since past experience shows that competitive devaluations in the current context could endanger the worldwide economic recovery.

> As a result, the tensions and the high level of volatility have affected currency rates in 2010 and the euro has not been exempt. During the first half of the year, the Greece crisis and subsequent rescue, and the extension of doubts to the rest of the peripheral countries, together with the fear that the austerity measures taken in Europe will delay the economic recovery, led the euro to its lowest level since March 2006. In this context, the euro reached its minimum level on 7 June at under $1.20. However, during the third quarter, the weakness of the recovery and the risk of deflation, which started to be shown by the US economy, compared with the strength of German macro-economic data, allowed the recovery of the European currency. The confirmation by the FED of a new economic stimulus plan to inject $600 billion through the acquisition of Treasury Bonds, drove the euro up to $1.422 USD/EUR at the start of November. During the last part of the year, the problems in Ireland and its rescue eventually brought the euro down to $1.337 USD/EUR at the end of the year.

> In this context in 2010 the **ECB** has maintained its monetary policy and the official price of money remained unchanged at 1%. However, the 12-month Euribor, to which more than 80% of mortgages granted in Spain are referenced, ended at 1.526% at the end of December, 284 basis points more than at the end of last year. Accordingly, the average mortgage will increase by approximately 20 euros /month. In 2011 prudence should direct the steps taken by the ECB and despite the strength shown by the German economy, analysts do not expect interest rates to rise until the final quarter of 2011 or the beginning of 2012, despite the short-term inflationary pressures faced by the eurozone.

> The increase in commodities prices and the surprising economic recovery of Germany (3.6% growth in 2010, double the average of other EU members) is pressuring prices. The CPI in the Monetary Union reached 2.2% in December which exceeded, for the first time in two years, the 2% stability target established by the ECB. However, after the last meeting in February, Trichet emphasised that contrary to the high short-term pressures, in the medium-term prices are under control and underlined that the important information for the ECB is not immediate inflation but rather inflation in the medium-term. At the moment, prudence and caution will continue to direct the ECB's monetary policy it will continue to closely monitor inflation.

Development of the business

> At 31 December 2009, Grupo Cooperativo Cajamar (hereinafter the Group) consisted of four entities: Cajamar, Caja Campo, Caja Rural de Casinos and Caixa Albalat. During the course of 2010 Caixapetrer and Caja Rural de Turís joined the group.

> The **total business under management** by the Group, including wholesale resources in addition to the management of retail customer resources, exceeds 53,268 million euros at 31 December, which is 4.6% more than 2009.

> The Group's **balance sheet** grew by 7.5% on a year-on-year basis, to more than 29,800 million euros.

> **Total resources under management** at the Group exceed 27,000 million euros (after growing more than 6.6%), consisting mainly of customer resources that totalled 17,245 million euros, after growing by 1,627 million euros (10.4% in relative terms).

> **Gross balance sheet customer loans** at the Group total 25,574 million euros, after obtaining a 2.8% increase.

> The Group only increased **doubtful assets** by 7.0%, to 1,232 million euros, which together with the growth recorded by the balance sheet loan investments brought its **default rate** to 4.82% (considerably better that the average in the sector, which was 5.68% according to the OSR for November).

> In October 2010 the Fitch rating agency confirmed an "A" rating for Cajamar for its long-term debt and "F1" for short-term debt, and maintained a negative outlook and "B/C" on an individual basis, while support was rated at "3".

> After the annual review the **Moody's** rating remained unchanged for Cajamar. Specifically, long-term debt remained at «A3», short-term debt at «P-2», financial strength at «D+» and a negative outlook.

FITCH		MOODY'S	
Long-term	A	Long-term	A3
Short-term	F1	Short-term	P-2
Individual	B/C	Financial Strength	D+

> The Group has 5,304 **employees.**

Clients and Receivables

> The Group had more than 2,400,000 customers at the end of 2010, of which more than 90% are individuals.

Equity

> The Group's **share capital** which is considered to be Equity totals 1,070 million euros at 31 December 2010, of which 31.8 million euros is included under the heading "Other equity instruments" under Equity in the balance sheet, and records the share capital in the rest of the banks participating in the Group other than the Lead entity, while the rest is recorded under "Capital or Endowment fund".

> In addition, the Group has 181.5 million euros in share capital that is considered to be capital reimbursable on demand under liabilities in the balance sheet.

> The total **number of members** at the Group, by adding in the various participating entities, exceeds 722,000.

Risk management

> **Note 6 of the Notes** to the annual accounts, which forms part of the Consolidated Annual Accounts, contains a detailed analysis of the situation at the year-end and the management carried out in 2010 of the various types of risks faced by the Group (credit risk, market risk, liquidity risk, interest rate risk, operating risk and exchange-rate risk.

> The rest of the credit institutions form part of the Grupo progressively included in Cajamar's risk management procedures.

Results

> In 2010 the interest-rate effect, due to the fall in the rate compared with last year, together with the increase in the financial cost for deposits or the lower increase in Investments compared with Deposits, among other things, which gave rise to much lower growth than the cost of the financial product, gave rise to a decline in the **interest-rate margin** totalling -25.8%, which is 425 million euros.

> **Gross margin**, from net commissions, but mainly from the results from financial transactions, exceed 593 million euros, which is -16.9% less than in 2009.

> The Group has maintained its policy from prior years of containing the growth of **administrative costs**, and which it has even been able to reduce by -1.8% in year-on-year terms, despite the performance of ordinary revenues, contributed to the reduction of the operating margin by -33.7%, and the overall sum totalled 229 million euros.

> After taking into consideration the allocations made for the **impairment of financial assets**, the **results obtained from operating activities** declined by -20.5%.

> The Group has devoted 210 million euros to cover **asset impairment**, given the prudent policy for allocating provisions that Cajamar has maintained on a continuous basis.

> The Group's **before tax surplus** totalled 32.7 million euros, -57.8% less than last year and after deducting both corporate income tax and allocation to the education and Development, the **surplus attributable to the Lead Entity** was 36.6 Million euros, -48.1% less than in 2009.

Efficiency

> The end of 2010 the Group's **efficiency** was 60.4%, 9.7 percentage points higher than the figure reached last year, mainly due to the decline in ordinary revenues, despite the reduction of operating expenses.

> At the end of 2010 the Group entity branch office network consisting of 1,027 offices present in the 2 autonomous cities and in 13 other regions and during the year the Group entered into Pamplona and Logroño.

Solvency

> At 31 December 2010 computable equity recorded by the Group totalled 2,635 million euros, which is a surplus of 1,095 million over the minimum capital requirements (71.1% in relative terms).

> The Group's **solvency ratio** at the end of the year was 13.69%, 5.69 percentage points above the minimum required by the Regulator (8%), and its basic equity (Tier 1) represented 90.6% of computable equity, i.e. 2,389 million euros (net of its own deductions), which reveals the high quality of its solvency and translates into a Core Capital of 12.70%.

> The **equity requirements** at 31 December 2010 were 1,540 million euros, of which 92.4% relates to **credit risk, counterparty risk, dilution risk and delivery risk**.

Technology projects, alternative channels and R&D

On 14 February 2010 the Group successfully completed the integration of **Cajacampo, Caixa Albalat and Caja Casinos into the technological platform at Grupo Cooperativo Cajamar**. The development and methods implemented not only have allowed the integration of these entities in record time but also allowed any other entity to be included in the future in a very simple manner. During the course of 2010 intense work was performed to integrate Caixapetrer and Caja Rural de Turís into Grupo Cooperativo Cajamar.

Several of the large products that have been taken on this year or which are a continuation from the preceding year, are focused on saving resources, improving procedures and attempting to improve efficiency by using new technologies:

> **Digital signage**: Advances have been made in new types of screens, such as large-format LEDs and they have driven the new solution for managing content.

> **Digital signature**: more than 400 tablets have been a installed in more than 300 offices. Nearly 15,000 documents per day are generated only through this installation. Advances have been made in the graphic comparison of signatures and online biometrics is being tested. Since the system was implemented more than 1 million documents have been electronically signed.

> **Video Conferencing**: The number of available rooms has been increased and personal communications have been linked to the room videoconferencing systems.

> **Unified communications**: All job posts at the entity have received instant messaging for all users. The delivery of cameras for all management posts at offices is being prepared. They have also been installed in training rooms such that courses and presentations may be given without any need for travel.

> **Elimination of the physical fax machine**: currently 5 offices have eliminated the physical fax machine and they are using the new SCANMAIL utility to send them. Faxes are received in the common e-mail inbox for the office. This operation is being very well received. The migration of the entire area of the capital city of Almeria (more than 60 offices) is already planned and work is being performed on the SSCC.

> **Printing management**: the printing management tool has been installed at all posts within the entity. Information is currently being gathered at offices and savings are already being obtained by Central Services. When all of the data has been collected a report will be prepared to determine which actions are to be taken at each office, area, etc., such as bringing the type of printer into line with the use needed by each group, force the use of double sided printing, etc.

> **Document management**: Massive scanning is in carried out using a high-volume scanner and work is being performed on the automatic recognition of documents to avoid the use of separators. More than 33 million documents have been digitalized.

In 2010, as a result of the implementation of the Business Plan by the Lead Entity efforts have been made to **increase the Internet services offered**, fundamentally with respect to companies. Among others, the following are notable:

> **Technological platform for electronic invoicing**: Companies may integrate electronic invoicing into their processes and management systems. Accordingly, the printing of documents and sending traditional letters is being replaced by the generation, signature and electronic sending of documents (Cajamar's e-Invoice Platform). The entire circuit is fully legal in Spain and in Member States of the European Union and no electronic certificate it necessary.

> **Confirming platform**: Mechanized and online management of company payments to suppliers, in which Cajamar offers a collection guarantee and an optional offer for advancing payment, even if they are not customers. This service emphasizes the reputation, ease-of-use and better position that is offered to suppliers and customers to manage and finance their collections/payments.

> **Deposit of checks from the customer's residence**: This is a new free service that allows users to deposit checks and promissory notes directly from their residence using electronic banking in an agile and secure manner, thereby saving time and money.

> **Evolution of mobile banking**: This platform will be adapted to new touch terminals and navigators in order to make it a universal service to the extent possible for customer access, and it is affected to be the most used to interact with financial institutions in the coming years. In addition, a mobile bank has been created for all of the entities forming part of Grupo Cooperativo Cajamar, thereby allowing, for example, an entity such as Caja Rural de Casinos, which has a single office, to have the latest generation electronic banking services for mobile terminals.

In addition, the continued growth in the use of direct channels by customers over the past year should be noted as there was monthly growth of around 10,000 customers, and at 31/12/2010 this channel had a total of 878,218 users. This customer base carried out more than 105 million transactions and on-line consultations in 2010 through which more than 15,000 million euros was moved. This represents further evidence of the good health of on-line banking and **Cajamar's permanent commitment to new technologies.**

Other information

Independent of the mention made in this report, between 31 December 2010 and 24 February 2011, the date on which the Governing Body of the Lead Entity prepared its Annual Accounts, the physically during the weekend of 12-13 February, the **operating integration of Caixa Petrer and Caja Rural de Turis into Grupo Cooperativo Cajamar** was successfully completed and for which Cajamar acts as the Lead Entity, and the full **operating integration that allows the merger with Caja Rural de Baleares to be deemed complete**.

Annual Corporate Governance Report

Based on the resolutions adopted by the Executive Committee at the Bank Spain which consider that Grupo Cooperativo Cajamar is a consolidated group of credit institutions, the entities participating in that group, with the exception of the Lead Entity (Cajamar), are exempt on an individual basis from presenting a Corporate Governance Report in accordance with Standard 105 of Bank of Spain Circular 3/2008 and subsequent amendments.

To better understand and fill in this model report, the instructions included at the end should be read.

A) STRUCTURE OF OWNERSHIP

A.1. List of the most significant shareholders or participants in the entity at the closing date:

Name or business name of shareholder or stakeholder	% of share capital

A.2. Indicate family, commercial, contractual or corporate relationships among significant shareholders or participants known to the entity, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related individuals or businesses	Type of relationship	Brief description

A.3. If there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the entity, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related individuals or businesses	Type of relationship	Brief description

B) MANAGEMENT STRUCTURE AT THE ENTITY

B.1. Board of Directors or Governing Body

B.1.1. Indicate the maximum and minimum number of directors or members of the governing body established in the by-laws:

Maximun number of Board members	15
Maximun number of Board members	15

B.1.2. Complete the following table on the members of the Board of Directors or governing body and their status:

Governing Board Members

Name or business name of the Governing Board member	Representative	Last date of appointment	Post
ANTONIO PEREZ LAO		24-08-2007	EXECUTIVE BOARD MEMBER
JUAN DE LA CRUZ CARDENAS RODRIGUEZ		24-08-2007	EXECUTIVE BOARD MEMBER
LUIS DE LA MAZA GARRIDO		24-08-2007	EXECUTIVE BOARD MEMBER
ANTONIO PITA REYES		26-10-2009	OTHER EXECUTIVE BOARD MEMBER
JOSE SEBASTIAN MILLARUELO APARICIO		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
ANGEL LIROLA SUAREZ		24-08-2007	EXECUTIVE BOARD MEMBER
FRANCISCO LORENTE BROX		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
RAMON ALIAGA CARRION		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
ANTONIO LUQUE LUQUE		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO BELMONTE LOPEZ		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
JOSE MANUEL MORENO FERREIRO		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES		24-08-2007	EXECUTIVE BOARD MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ		24-08-2007	OTHER EXECUTIVE BOARD MEMBER
RODRIGO MUÑOZ RODRIGUEZ		22-02-2005	EXECUTIVE BOARD MEMBER

B.1.3. Name the Board members or governing bodies, if any, who are also directors or executives of other companies in the same group as the entity:

Name or business name of the Governing Board member	Business name of the group entity	Post
ANGEL LIROLA SUAREZ	CAJAMAR GESTION, S.G.I.IC., S.A.U.	CHAIRMAN

B.1.4. Complete the following table on the aggregate compensation for directors or members of the governing body accrued during the year:

Remuneration item	Thousands of euros	
	Individual	Group
Fixed remuneration	1,143	0
Variable remuneration	30	0
Allowances	412	0
Other Remunerations	47	0
Total:	**1,632**	**0**

B.1.5. Identify the members of senior management who are not Directors or members of the executive management and indicate the aggregate compensation accrued to them during the year:

Name or business name	Post
MANUEL YEBRA SOLA	GENERAL MANAGER
FRANCISCO JAVIER RAMIREZ ARCEO	GENERAL MANAGER
JESUS FERNANDO MARTINEZ USANO	GENERAL MANAGER OF CONTROL
Total remuneration for senior management (in thousands of euros)	**2,215**

B.1.6. Indicate whether the by-laws or the Board Regulations establish any limit on the term of office for Directors or members of the governing body:

Yes x	NO
Maximum number of years in office	6

B.1.7. Indicate whether the individual and consolidated annual accounts presented to the Board or governing body for approval were previously certified:

Yes	NO x

If appropriate, name the person(s) who certify the Entity's individual or consolidated annual accounts before they are approved by the Board or governing body:

Nombre o denominación social	Cargo

B.1.8. Explain the mechanisms, if any, established by the Board or governing body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

One of the duties of the Audit Committee is to maintain relationships with external auditors to, among other things, receive information regarding the audit of the annual accounts.

The external auditors present this information to the Audit Committee before the preparation of the Entity's annual accounts, specifically, during the final Committee meeting of the year, including the preliminary conclusions of the audit work carried out until that time and, notwithstanding the result of audit work that could be pending execution at that date, provides a draft opinion from the external auditors regarding the annual accounts.

In the event that there is any qualification in the preliminary conclusions prepared by the external auditor regarding the annual accounts, the Audit Committee will report this to the Governing Body at the following meeting. The Governing Body may therefore evaluate the possibility of modifying the financial statements and correcting any qualifications that may have been imposed by the auditors in their preliminary conclusions.

B.1.9. Is the secretary to the board or the governing body a voting director?

Yes x	NO

B.1.10. Describe any mechanisms established to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

1. Auditor Independence

That the Audit Committee meeting held on 22/02/10 the Committee verified compliance by the auditor (currently the firm PricewaterhouseCoopers Auditores S.L.) with requirements, specifically reporting on the absence of any situation that could compromise the independence of the auditor's work.

In addition information was provided relating to compliance by the members of the team with the rotation rule (maximum of 7 years).

This information, and express mention of compliance with applicable international and domestic legislation, especially the Audit Act, has meant that at that meeting the legal compliance of the Auditor and its independence was verified.

2. . Independence of the rating agencies, financial analysts and investment banks

Within the principle of transparency, which must prevail with respect to the Entity's operations in financial markets, it establishes the mechanisms and procedures that are adequate to ensure that credit risk rating agencies, financial analyst and that the banks are informed of all information that may be relevant to analyze Cajamar within a framework of independence.

The Agent Financial Information Reporting Area is responsible, as its name indicates, for relationships with the credit rating agencies and ensures that they have immediate access to correct and accurate information that will facilitate their analysis and obtaining conclusions with the highest degree of independence possible.

B.2. Committees appointed by the Board of Directors or Governing Body .

B.2.1. List the governing bodies:

	N° of members	Functions
EXECUTIVE COMMITTEE	7	THOSE INDICATED IN POINT B.2.3
AUDIT COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
INVESTMENT AND FINANCE COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
RISK COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
BUSINESS COMMITTEE	5	THOSE INDICATED IN POINT B.2.3
APPOINTMENT AND REMUNERATION COMMITTEE	6	THOSE INDICATED IN POINT B.2.3

B.2.2. List all the Board of Directors' or Governing Body Committees and their Members:

Executive or Delegated Committee

Name or business name	Post
ANTONIO PEREZ LAO	PRESIDENT
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER
LUIS DE LA MAZA GARRIDO	MEMBER
ANGEL LIROLA SUAREZ	MEMBER
ANTONIO PITA REYES	MEMBER SECRETARY
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO LORENTE BROX	MEMBER

Audit Committee

Name or business name	Post
FRANCISCO LORENTE BROX	PRESIDENT
JOSE SEBASTIAN MILLARUELO APARICIO	MEMBER
ANGEL LIROLA SUAREZ	MEMBER
ANTONIO PITA REYES	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER

Appointment and Remuneration Committee

Name or business name	Post

Strategy and Investment Committee

Name or business name	Post

Appointment and Remuneration Committee

Name or business name	Post
FRANCISCO LORENTE BROX	PRESIDENT
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
ANTONIO LUQUE LUQUE	MEMBER
ANTONIO PEREZ LAO	MEMBER
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER

Investment and Finance Committee

Name or business name	Post
ANTONIO PEREZ LAO	PRESIDENT
ANGEL LIROLA SUAREZ	MEMBER
RAMON ALIAGA CARRION	MEMBER
FRANCISCO BELMONTE LOPEZ	MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES	MEMBER
ANTONIO PITA REYES	MEMBER

Risk Committee

Name or business name	Post
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	PRESIDENT
LUIS DE LA MAZA GARRIDO	MEMBER
JOSE SEBASTIAN MILLARUELO APARICIO	MEMBER
JOSE MANUEL MORENO FERREIRO	MEMBER
JOSE ANTONIO SANTORROMAN LACAMBRA	MEMBER
ANTONIO LUQUE LUQUE	MEMBER

Business Committee

Name or business name	Post
LUIS DE LA MAZA GARRIDO	PRESIDENT
FRANCISCO LORENTE BROX	MEMBER
RAMON ALIAGA CARRION	MEMBER
JOSE MANUEL MORENO FERREIRO	MEMBER
AGUSTIN MIGUEL SANCHEZ MARTINEZ	MEMBER

Corporate Social Responsibility Committee

Name or business name	Post
ANTONIO PEREZ LAO	PRESIDENT
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO BELMONTE LOPEZ	MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES	MEMBER
RODRIGO MUÑOZ RODRIGUEZ	MEMBER

B.2.3. Describe the rules of organization and procedure, and responsibilities attributed to each Board Committee or members of the governing body. Describe the duties of the CEO, if any.

Executive Committee

In accordance with Article 31 of the Entity's by-laws, the Governing Body may designate, from among its members, and the majority favourable vote of two-thirds of Directors, an Executive Committee that will consist of the Chairman, Vice-Chairman, the Secretary and four Members, of which two will come from the Malaga region and one will be designated Managing Director for that area, notwithstanding the designation of other Managing Directors within the area of CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CREDITO, with the authority that is decided in each case and in accordance with the resolutions adopted by the Governing Body.

The Executive Committee and the Managing Directors will exercise the authority delegated to them by the Governing Body, after a favourable vote by two-thirds of Directors and respecting current legislation, but the permanent delegation of authority and designation of its members will not take effect until entered into the Mercantile and Cooperative Registries after these members have been entered into the Senior Management Registry at the Bank of Spain.

The Executive Committee currently has all the authority of the Governing Board, except those that cannot be delegated in accordance with the law or by-laws.

The Committee will meet at least once per month at the place, date and time established by the Committee, without any need for any second call, or any need to issue a closed agenda. It will be validly called to order when attended by more than one-half the members, who cannot be represented. Other people may be called to attend the meeting without having any right to vote, including the Controllers, members of General Management and other technical personnel at the Entity, or any other person whose presence and contribution is deemed of interest to the entity.

Resolutions will be adopted by a validly expressed vote in favour of more than one-half the members in attendance and the Chairman shall have a casting vote.

Audit Committee

The Cajamar by-laws includes the legal provisions covering the Audit Committee and Article 40 of the by-laws creates this body as follows:

Article 40

The Audit Committee

1. Given the fact that the Caja issues securities listed on official secondary securities market, and in accordance with Additional Provision Eighteen of Law 24/1988 (28 July) on the Stock Market Act an Audit Committee has been created.

2. The Audit Committee will consist of at least four and at most six members of the Governing Body, who will be designated by express agreement in accordance with the provisions of this Article. The number of members may be specified in the Regulations referred to in the following section.

The members of the Audit Committee will be, in the majority, non-executive Directors on the Governing Body.

The Audit Committee will have a Chairman and a Secretary in the terms indicated in this section.

The Chairman of the Audit Committee will be designated from among the non-executive Directors on the Governing Body, must be replaced every four years and may be re-elected after one year after leaving the post.

The position of Secretary will be regulated by the Audit Committee Regulations. The person holding this position cannot be a member of the Governing Body. If a member of the Governing Body, the Secretary will be elected from among non-executive directors and will have voting rights at the Committee meetings. In the event that the Secretary is not a member of the Govern Body, he/she shall have the right to speak but not vote at meetings.

For the purposes of the provisions of this Article, a non--executive Director will be understood to be any member of the Governing Body that does not have management or executive duties at the Bank or, if employed under an employment or Mercantile contract, the contract cannot be considered to be for a senior manager or to perform duties similar to those carried out by executives.

3. The Audit Committee will be called by the Chairman be a letter, fax, or telegram or e-mail authorized by the signature of the Chairman or the Secretary on the order of the Chairman.

Notice of the meeting will be issued at least three days in advance. The notice will always include the agenda for the meeting and will be accompanied by the documentation that is necessary for each meeting.

The members of the Committee may request all supplementary information that they consider advisable.

When, in the opinion of the Chairman, it is inadvisable for security reasons to include the information, the members will be advised of the possibility of examining the information at the meeting.

Extraordinary Committee meetings may be called via telephone and the advance notice and other requirements indicated above will not be applicable when circumstances so justify, in the opinion of the Chairman.

The Committee will be validly called to order when at least one half plus one of its members are in attendance. If the number of directors attending is uneven, a sufficient quorum will be deemed to exist if those present are more than half of the Directors.

The Chairman will organise the debate, ensuring and encouraging the active participation of directors in deliberations.

Resolutions will be adopted by absolute majority of those in attendance. In the event of a tie, the Chairman will have a casting vote.

The Committee will prepare minutes for its meetings and will maintain the Board informed of all matters discussed, the result of its work and the resolutions adopted.

The minutes will include at least the place, and time at which the meeting was held, the time its started and ended, the full text of the notice provided, including the agenda, the list of attendees, statement regarding the sufficient quorum to hold the meeting, the interventions requested to be on the record, and incidents that must be resolved by the Chairman and the transcription of the resolutions adopted and the voting record.

Notwithstanding the content of this Article, the Audit Committee will be governed by Regulations approved by the Governing Body in accordance with the proposal presented by the Committee. This Regulation will develop and specify the Committee's operating rules.

4. The Governing Body will ensure the independence of the Audit Committee, establishing all the measures necessary to comply with its duties and the Entity's employees and bodies must cooperate as necessary to that the Committee can comply with its duties.

In accordance with applicable legislation, the Audit Committee will have the following duties:

a) Inform the General Assembly of any matters that arise within its area of authority.

b) Make proposals to the Entity's Governing Board to be submitted to the General Assembly relating to the appointment of external auditors, in accordance with legislation applicable to the Entity.

c) Supervision of internal audit services.

c) Monitor the financial reporting process and the Entity's internal control systems.

e) Relationships with external auditors to receive information regarding those issues that may put their independence at risk in any other issues relating to the audit process, as well as any other communications established by audit legislation or by technical audit standards.

Furthermore, the Regulations approved by the Governing Body stipulates that the Committee will consist of six members of the Governing Body, a majority of which will not be executive members.

The Chairman of the Audit Committee will be designated from among the non-executive Directors, must be replaced every four years and may be re-elected after one year after leaving the post.

The Committee must prepare an annual ordinary meeting plan and must meet on an ordinary basis at least six times per year, at the initiative of the Chairman.

Article 3 of the Regulations establishes the purposes of the Committee in the same literal terms indicated above when transcribing Article 40.4 of the by-laws.

OTHER COMMITTEES APPOINTED BY THE GOVERNING BODY:

Cajamar Caja Rural, Sociedad Cooperativa de Crédito has adopted the resolution necessary to include the necessary legal language in its by-laws regarding Committees Delegated by the Governing Body.

Article 41 of the current by-laws stipulates the following:

Article 41

Other Committees

The Governing Body may establish other Committees on a voluntary basis and which, regardless of their activities and in accordance with their operating regulations, carry out control duties with respect to the Entity's operations and may be formed by a number of members of the Governing Body deemed advisable in each case and the Governing Body must be informed as to their authority as established by their Regulations.>> At the meeting held on 9 January 2008 and based on the provisions of Article 41 of the By-laws, the Governing Body of Cajamar adopted the resolutions relating to Board Committees currently in existence, in terms of their name and duties as well as their composition, approval of current regulations and all other necessary legal and statutory information, except for the following two: (i) the Corporate Social Responsibility Committee, which was created in accordance with the Resolution approved by the Governing Body and 28 March 2006-although the composition of this Committee is also covered by the Resolutions adopted by the Governing Body on 9 January 2008-, (ii) the Nominations and Compensation Committee, whose name, duties, composition and current regulations were approved by the Resolution adopted by the Governing Body on 30 September 2010.

The general rules common to the organisation and operation of those Committees as stipulated in their respective regulations are listed below:

a) Term of the members of the Committee

The Directors will hold their seats on the Committee as long as they remain members of the Governing Body, in the manner indicated by the Entity's by-laws.

b) No exclusive nature of the post

Pertaining to the Committee will not be exclusive and its members may form part of other Committees that the Governing Body may decide to create with respect to the matters for which it is responsible.

c) Frequency of meetings

The Committee must prepare an annual ordinary meeting plan and the Committee must hold ordinary meetings as deemed necessary for the Entity's proper operation and at least once every three months, at the initiative of the Chairman.

The specific nature of each Committee as regards their composition and duties is set out:

A) Nominations and Compensation Committee

The Committee's Regulations stipulate that it will be formed by six members of the Governing Body.

The members of the Committee will be, in the majority, non-executive Directors on the Governing Body.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

The Committee will exercise the duties that are listed below with respect to the bank and all mercantile companies or subsidiary entities for which the Bank has the capacity go appoint or compensate management and/or employees, after the appropriate resolutions have been adopted.

The Committee will carry out the following duties:

> Propose compensation for Directors.

> Established the general compensation system for employees and authorized any exceptions to its application that are particularly unique or relevant, or affect a broad group of employees.

> Establish compensation for Managing Directors, as well as any severance indemnities that may be applicable.

> Device the Governing Body regarding appointments and removals of the Bank's Managing Director and those at any Mercantile companies or subsidiary entities at which the Bank has the right and capacity to appoint and remove individuals from those positions.

> Supervise and evaluate the operation of the compensation system and the incentives created to manage risk, capital and liquidity.

> Ensure that a control system is established with respect to compliance with the compensation system.

> Ensure that an annual independent review, whether internal or external, is carried out with respect to the application of the compensation system.

> Establish the principles for the internal and external dissemination of information regarding the compensation system and ensure compliance with those principles.

> Issue an annual evaluation report regarding the application, control, review and dissemination of the compensation system.

B) Investment and Finance Committee

The Committee's Regulations stipulate that it will be formed by six members of the Governing Body.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

The Committee has no executive authority and its purpose is to assist the Governing Body with compliance with its duties and in this respect may:

1.- Examine the Entity's management in the areas falling within its authority.

2.- Comply with the instructions provided by the Governing Body in the designated areas.

3.- Provide the Governing Body with the proposals that are considered advisable regarding the Bank's management activities, general strategies, relationships with shareholders and customers and any other aspects that are considered advisable within the area of its authority.

4.- Inform the Governing Body of the proposals that may be made by shareholders with respect to the areas over which the Committee has authority.

5.- The duties that are delegated by the Governing Body.

The legal or institutional authority that is reserved for the direct knowledge of the Governing Body cannot be delegated, nor can others that are necessary for the responsible management of general supervisory duties.

6.- Those specifically established in this Regulations.

In particular, the Investment and Finance Committee will exercise control authority with respect to those matters relating to the areas of Admission of Risks, Debt Recovery, Cash and Capital Markets and Shareholdings held by the Entity, as well as the verification of information regarding the management of assets, which basically consists of the following activities:

> Review the activities carried out with respect to assuming risks and recovering debt.

> Review of the modifications made to the admission policies.

> Knowledge of the modifications made to the general authority system.

> Update of the authority delegated to the branch office network.

> Analysis of the current credit risk contracts and the development of the credit portfolio.

> Knowledge of the development of the irregular credit portfolio.

> Review of the development of the primary borrowers.

> Review the development of the largest doubtful and default amounts.

> Receive information regarding Cajamar's Cash and Capital Market position, evaluating the availability of liquid assets at the Entity as well as the possibility of using the inter-bank market and monetary policy instruments: unused lines, possibility of discounting securities and access to ECB auctions.

> Review the issue programs, particularly those that have already been approved, and the securitizations to be carried out.

> Evaluate the need to accelerate any of these programs based on the Entity's needs.

> Ensure compliance with all the ratios established by the Entity with respect to Cash and Capital Market activities.

> Receive information regarding all matters that must be reported to the Bank of Spain or any other supervisory or regulatory body regarding the activity carried out by Financial Institutions and relating to areas such as liquidity and legal ratios.

> Propose all action that is deemed necessary with respect to financial and strategic decisions that are relevant for the Bank.

> Evaluate the investments that are made and which are relevant for the Bank, or issue an opinion regarding divestment initiatives.

> Supervise the activities carried out by investee companies, evaluating all available information in this respect.

> Analyze the advisability of maintaining shareholdings in the Bank's investee companies or, in appropriate cases, the sale of the shareholding. Study those cases in which it would be recommendable to become a shareholder in any company.

> Verified compliance with the guidelines issued to the various Departments regarding the management of investee companies or the relevant shareholdings in their capital.

> Supervise the management of assets, making any proposals considered appropriate for improvement and any other issues that may serve to support the ordered management of assets.

C) Risk Committee

The Committee's Regulations stipulate that it will be formed by six members of the Governing Body.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

The Committee has no executive authority and its purpose is to advise the Governing Body with respect to the matters under its authority and may:

a) Report all relevant issues of which it gains knowledge during the course of its activities.

b) Propose amendments to the policies and procedures deemed to be appropriate.

The Committee is responsible for credit risk, market risk, interest rate risk, liquidity risk, operating risk and reputation risk in the areas listed below:

1) Credit risk:

> Knowledge of the admission policy that have been established and the degree of compliance.

> Knowledge of the exposure to credit risk and its relationship with the limits established for control purposes.

> Knowledge of the effects of the policies and the limits established, regarding the Entity's future exposure to credit risk.

2) Market, Interest-rate and Liquidity Risk:

> Knowledge of the management policy that have been established and the degree of compliance.

> Knowledge of the Entity's exposure to each risk and their relationship with the limits established for control purposes.

> Knowledge of the impact of these risks on the Entity, in the event of unfavourable developments in financial markets.

3) Operating risk:

> Knowledge of the losses attributable to operating failures.

> Knowledge of the procedures and systems established for control and mitigation.

4) Reputation risk deriving from the failure to comply with legislation and regulatory rules, as well as other administrative rules applicable to customer relationships:

> Knowledge of the policies and procedures established a guarantee compliance with regulatory rules:

- Prevention of Money laundering and financing of terrorism.

- Protection of Personal Data.

- Transparency and Customer Protection.

- Conduct in securities markets.

> Knowledge of the degree of compliance by the Entity with respect to these rules.

D) Business Committee

The Committee's Regulations stipulate that it will be formed by five members of the Governing Body.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

The Committee has no executive authority and its purpose is to assist the Governing Body with compliance with its duties and in this respect may.

1.- Examine the Entity's management in the areas falling within its authority.

2.- Comply with the instructions provided by the Governing Body in the designated areas.

3.- Provide the Governing Body with the proposals that are considered advisable regarding the Bank's management activities, general strategies, relationships with shareholders and customers and any other aspects that are considered advisable within the area of its authority.

4.- Inform the Governing Body of the proposals that may be made by shareholders with respect to the areas over which the Committee has authority.

5.- The duties that are delegated by the Governing Body.

The legal or institutional authority that is reserved for the direct knowledge of the Governing Body cannot be delegated, nor can others that are necessary for the responsible management of general supervisory duties.

6.- Those specifically established in this Regulations.

In particular, the Business Committee will carry out control duties regarding the areas relating to the typical business carried out by the Entity in its various branches of activity, particularly monitoring any issues involving the performance of the commercial network and compliance with certain overall objectives for the Bank, which include the performance of the following activities:

> Supervision and monitoring of Cajamar's Expansion Plan, receiving information at all times regarding the advances in this respect and reporting any changes, evolution and development in this area including the preparation of proposals to be presented to the Governing Body.

> Monitoring of the Commercial Objectives established for the Office Network, controlling aspects relating to their implementation, control and execution, as well as any modifications that may be made in this respect.

> Analysis of the main figures recorded by the Entity with respect to the Office Network, gaining general knowledge of the information regarding all of the branch offices maintained by Cajamar.

> Control and the evaluation of the most important aspects of Cajamar's business in all respects and areas that are considered significant by the Committee.

E) Corporate Social Responsibility Committee

The Commit tee's Regulations stipulate that it will be formed by six members of the Governing Body.

Article 3 of the Committee's Regulations stipulates the following with respect to its duties:

The Committee has no executive authority and its purpose is to assist the Governing Body with compliance with its duties and in this respect may:

1.- Examine the Entity's management in the areas falling within its authority.

2.- Comply with the instructions provided by the Governing Body in the designated areas.

3.- Provide the Governing Body with the proposals that are considered advisable regarding the Bank's management activities, general strategies, relationships with shareholders and customers and any other aspects that are considered advisable within the area of its authority.

4.- Inform the Governing Body of the proposals that may be made by shareholders with respect to the areas over which the Committee has authority.

5.- The duties that are delegated by the Governing Body.

The legal or institutional authority that is reserved for the direct knowledge of the Governing Body cannot be delegated, nor can others that are necessary for the responsible management of general supervisory duties.

6.- Those specifically established in this Regulation.

In particular, the Corporate Social Responsibility Committee will carry out action in order to attend to the following issues:

> Establish, promote and inform all areas of the Bank of the corporate and ethical principles that give rise to the desirable commitment with society and an adequate manner of operating that is represented by Corporate Social Responsibility.

> Evaluate all types of information, events or communications that affect the Bank's Corporate Social Responsibility.

> Coordinate the policy of the Bank's Corporate Social Responsibility, generating adequate communication and integration of the various departments and areas responsible for these issues, as well as the management of the study, implementation and monitoring of the manuals, processes and policies developed in this area.

> Coordinate the actions and initiatives relating to the Bank's Corporate Social Responsibility, in order to take advantage of, and maximize, the advantages of any kind that may be provided by this type of practices to the Bank.

> Analyze all issues that affect the Bank's Corporate Social Responsibility, evaluating the activities that may derive from them and supervising the effects that may arise in this area.

> Promote and establish any initiatives to promote the principles, criteria and practices concerning Corporate Social Responsibility that are deemed adequate to the characteristics of the Bank, encouraging participation in any forums, institutions and working groups that exist in this area.

> Provide all types of proposals to the Governing Body that are intended to promote, adapt, manage, update and, in general, encourage an overall culture of Corporate Social Responsibility at the Bank.

B.2.4. State the number of meetings held by the Audit Committee during the year:

Number of meetings	7

B.2.5. If there is a Nominations Committee, state whether all its members are external directors or members of the governing body.

Yes	NO x

C) ASSOCIATED TRANSACTIONS

C.1. List any significant transactions involving a transfer of resources or obligations between the Entity and/or entities in its group and significant shareholders in the Entity:

Name or business name of most significant shareholder or stakeholder	Name or business name of the entity or entities of the group	Type of relationship	Type of transaction	Amount (thousands of euros)

C.2. List any significant transactions involving a transfer of resources or obligations between the Entity and/or entities in its group and Directors or members of the governing body or executives at the Entity:

Name or business name of most significant shareholder or stakeholder	Name or business name of the entity or entities of the group	Type of relation-ship	Type of transaction	Amount (thousands of euros)

C.3. List any significant transactions with other entities in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, relate to the entities normal business:

Business name of the group entity	Brief description of the transaction	Amount (thousands of euros)

C.4. State the situation of conflicts of interest, if any, involving directors or members of the governing body at the entity, pursuant to Article 127 ter of the Companies Act.

C.5. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, members of the governing body, or executives.

> Article 20.2 excludes the right to vote in the Assembly of Delegates when there is a conflict of interest. Such a conflict of interest is deemed to exist in accordance with Article, in the following cases:

A) Votes regarding action or contracts in which the member, or family members up to the second degree of consanguinity or affinity, have an interest as third-party contractors with the cooperative, excluding in this case activities and services within the cooperative.

B) Votes that particularly affect a member, either because the issue involves just cause for not accepting a position or duty or because a decision is to be taken regarding the removal or creation of a temporary benefit for justified reasons to that member with respect to compliance with certain obligations.

C) Those cases that are not included in the previous two sections and are included in the Limited Liability Companies Act.

> With respect to conflicts of interest within the Governing Body, Article 29 of the by-laws stipulates the following:

1. A Director will be in a conflict of interest situation when:

   a) The contracting of obligations or transactions not included within the cooperative involving the director or family members to the second degree of consanguinity or affinity, as is established by Article 42.1 of Lot 27/1999 on Cooperatives.

   b) Votes will take place regarding social responsibility action against directors, as follows: to start, compromise or waive such action.

   c) The situation involves a decision regarding cooperative transactions or services that favour a director or a family member, as indicated in paragraph a).

   d) A decision will be taken with respect to the creation, suspension, amendment, renewal or extinction of obligations or rights relating to the cooperative with entities at which the director or the aforementioned family members are directors, administrators, senior managers, advisors or members with a shareholding equal to or exceeding 5%.

   e) Any of the situations established in Article 27.4, or in any other Section, of these by-laws exists.

   f) Any other conflict of interest situation established by the Limited Liability Companies Act.

2. The resolutions referred to in the preceding point will be adopted by the governing bodies, in line with the requirements and guarantees established in applicable legislation and these by-laws.

3. The collision of interests, as regulated above, requires the affected director or directors to abstain from voting in any bodies that will take a decision in this respect. (…)

Article 27.4, cited in Article 29.1.e) refers to the precautionary suspension from duties of those directors or Controllers that have not met the loyalty, dedication and discretion requirements demanded of these positions.

In addition, these votes involving conflicts of interest will meet, in any event, the provisions of Article 24 of the Credit Cooperative Regulations, RD 84/1993 (22 January), transcribed below:

Article 24: Operation of the Board.

1. The resolutions regarding the issues referred to by the following Article requires the favourable vote of two thirds of the directors.

2. F the law or the bylaws stipulate otherwise, the deliberations and resolutions adopted by the Governing Body will be secret and a very serious employment or statutory infraction will be deemed to exist and give rise to dismissal should this confidentiality requirement be breached, notwithstanding responsibilities of any other type that may be appropriate.

3. Notwithstanding the provisions of Article 63 of Law 3/1987, which regulates other cases of conflicts of interest relating to resolutions adopted by the Assembly, the resolutions adopted by the Governing Body regarding operations or services within the cooperative in favour of members of the Governing Body, executive committees or other bodies referred to by Article 26 of General Management or the family members of any of them within the limits established in that legal tax, will be adopted necessarily through secret voting after the issue has been included in the agenda with to clarity and a majority of not less than two thirds of all directors must vote in favour.

If the beneficiary of the transactions or services is a director, or a family member as defined above, it will be considered to represent a conflict of interest and that director cannot participate in the vote.

Once the secret vote has been held and the results presented, the minutes may record any reserves or discrepancies relating to the resolution that has been adopted.

The contents of the paragraph preceding this section 3 will also be applicable when a decision will be taken with respect to the creation, suspension, amendment, renewal or extinction of obligations or rights relating to the cooperative with entities at which the director or the aforementioned family members are directors, administrators, senior managers, advisors or members with a shareholding equal to or exceeding 5%.

D) RISK CONTROL SYSTEM

D.1. General description of the Company's risk policy and/or its Group, including detailed and an evaluation of the risks covered by the system, together with information supporting those systems' adaptation to the profile of each type of risk.

Corporate risk culture

Cajamar has a clear retail banking vocation and therefore the primary risks it faces are those that are typical in this business, i.e., credit, liquidity, interest rate and regulatory non-compliance risks, while operating and market risks are less relevant.

The following sections provide details of the basic management principles for each of these risks and therefore in this summary is sufficient to say that all of them are managed on a prudent basis which means: (i) credit risk is fundamentally encountered in the financing of families and small and medium-sized companies, (ii) the Entity maintains high liquidity ratios and eight moderate dependence on wholesale markets, (iii) most of the loan transactions are granted at a variable rate (iv) the Entity ensures adequate and sustained compliance with the law and best practices with respect to our relationships with stakeholders, (v) operating losses are low and mainly derives from events involving small amounts and (vi) the exposure to market risk is moderate and instrumental, and trading portfolios of financial instruments are prohibited.

Main aspects of the risk policies

1. Credit risk

Cajamar has a Credit Risk Manual that regulates (i) the principles and criteria that must guide it credit policy, (ii) the management and control policies for that risk, (iii) the bodies responsible for management and control, and (iv) the procedures established to apply this management and control.

To better understand the content and scope of this manual, the most important sections governing credit policies are transcribed below.

1.1. Basic credit risk principles

They are adopted by Cajamar's Governing Body and frame our credit policy. There are five and their content is as follows:

a) **Principle of independence,** which requires that decisions regarding credit risk always be adopted within the framework of the established credit policy and cannot be subordinated to compliance with commercial objectives, and there are three independent and separate functions: Commercial, Investments and Control.

b) **Principle of uniformity,** which requires that the credit risk management and control criteria, with respect to policies, structures, tools, circuit sent processes, be common throughout the entity and do not depend on any specific territory in which its activity takes place.

c) **Principle of homogeneity,** through which common and homogeneous measures for quantifying credit risk and uniform evaluation methods are established.

d) **Principle of globality,** According to which the management of credit risk must not end with the individual analysis of transactions and customers, but rather must include the credit portfolio as a whole.

e) **Principle of delegation,** through which the Governing Body, which is the highest body within the credit risk management and control system, may reasonably delegate authority to lower bodies to attain rapid adaptation and responses to situational changes and customer demands.

1.2. Guidelines for defining the credit policy

The Governing Body at Cajamar also creates the rules that must be followed by all lower bodies when defining the credit policy. They cover each of the stages in the risk management cycle and their content, in summarised form, is as follows:

a) **Risk assumption policy:**

> **Diversification,** which indicates that the credit portfolio must be adequately diversified and present the lowest possible degree of correlation with respect to mass non-compliance.

> **Credit quality,** in accordance with which the granting of transactions must involve customers with the capacity to make repayments in due time and form and ensure the coverage of risk through guarantees when the initial projections are not met.

> **Operating security,** under which the transactions must be adequately documented, ensuring that contracts have full legal efficiency and accurately record the conditions under which loans are granted.

> **Profitability,** according to which transactions must be profitable in accordance with their inherent risk.

b) The **vigilance and default prevention policy**

> **Relative importance,** which indicates that the action intended to prevent default must be gradually applied to seek a balance between the cost of the control and the benefits obtained.

> **Anticipation,** under which the action intended to prevent defaults must be started sufficiently in advance.

c) **Collections for operations in a non-compliance situation**

> **Decisive management,** in accordance with which once a non-compliant situation has arisen it must be managed decisively such that in as little time as possible (i) the situation is regularised, (ii) restructuring is proposed within the established policies and procedures, or (iii) court or out-of-court action is taken, as is appropriate.

> **Financial efficiency,** in accordance with which the most efficient recovery of the debt must be analyzed, and this will not always be through court claims.

1.3. Main parameters that define the credit policy

a) Limits to credit risk concentration

Diversification is one of the criteria that guide the credit risk assumption policy and Cajamar has established a structure of limits that guarantee diversification and which, when the limits established by the Regulator coincides, is more conservative. These limits are:

> Limits to concentration by credit segment, portfolio and sub-portfolios

Cajamar has defined a set of precise criteria to segment its loan operations, the application of which gives rise to 5 segments that grouped together 12 loan portfolios, formed by 21 sub-portfolios. Each of these groups has an established limit relating to credit exposure, depending on the exposure of the entire portfolio, such that adequate diversification by activity, sector and use of the investment is guaranteed.

> Limits to concentration with respect to borrowers and risk groups

Concentration limits relating to individual borrowers and risk groups at Cajamar are notably lower than those established by the Bank of Spain.

> Limits to concentration with companies that are closely related

Companies that are closely related to Grupo Cooperativo Cajamar are considered to be those that do not form part of the consolidated group of credit institutions but fall into one of the following categories:

- Cajamar has a direct or indirect stake of at least 5% in share capital, if involving a company whose shares are listed on an official secondary market, or 10% if the shares are not listed.

- Cajamar or any person designated by the Entity, is a member of the company's governing body or a general legal representative or has held such a position at any time in the preceding two years.

Within this group of companies, a distinction is made between those in which Cajamar possesses control and those in which it does not, and the risks relating to both sub-groups are subject to certain limits expressed as a percentage of computable equity:

b) Guarantee policy

Independent of the fact that loan transactions must fundamentally be granted based on the borrower's capacity to make repayments, Cajamar's policy is to mitigate losses in the case of non-compliance by obtaining guarantees, which must be stronger and more efficient the longer the term of the loan and/or the lower the repayment capacity is.

Cajamar does not have any hedges using sophisticated products such as credit derivatives, understanding that the strict structure of limits and low levels of concentration means that the use of these types of products would not provide significant improvements to management, while they would increase our operating, legal and counterparty risks.

2. Liquidity and Interest Rate Risk

Cajamar has a Balance Sheet Risk Manual: liquidity and interest rate risk, approved by its Governing Body, which contains: (i) the basic principles governing these risks, (ii) the applicable limits, (iii) the bodies responsible for management and control, (iv) the procedures for calculating risks and limits and (v) the reports that are necessary for management and control.

The basic principles regarding liquidity risk set out in that Manual are as follows:

> Cajamar must maintain a level of liquid assets that are sufficient to cover, with a high degree of confidence, its liabilities that have the closest maturity dates.

> Cajamar must finance its loan investments mainly using retail resources and therefore the use of wholesale financing will remain within prudent limits.

> Cajamar must maintain an adequate diversification of maturity dates for wholesale financing, and therefore limits will be established to short-term wholesale financing and the profile of long-term maturity dates will be monitored at the time of any new issue.

> Cajamar must maintain an adequate asset reserve that is easily convertible into liquid assets.

> Cajamar must define and implement a Liquidity Contingency Plan that establishes the steps to be taken in the event of a liquidity crisis deriving from both internal and external causes.

The basic principles regarding interest rate risk set out in that Manual are as follows:

> Cajamar must apply a commercial and financial policy that offers minimal exposure to interest rate risk.

> Despite respecting the preceding principle, the development of market interest rate curves could place the Entity into exposure levels that are not desired and therefore and authority system must be established to take a decision as to whether or not the exposure level that is reached will be maintained or if steps will be taken to reduce that level.

When applying the preceding principles, certain limits and authorities have been established.

3. Risk of non-compliance with legislation

Cajamar as several manuals and procedures regarding the prevention of Money laundering and the financing of terrorism, personal data protection, customer service to handle claims, a code of conduct for the securities markets and, more in general, rules relating to compliance with legislation and good practices with respect to the transparency of transactions and customer protection.

The general principles that inspire compliance with legislation by Cajamar are as follows:

> **Principle of responsibility at the Governing Body and in Senior Management:** Cajamar's Governing Body is responsible for supervising the management of the risk that the Entity will fail to comply with legislation and senior management is responsible for the effective management of that risk.

> **Principle of independence:** Legislative compliance has a formal status within the Entity's organization and there is a person responsible for legislative compliance who is the overall responsible party for coordinating the management of the risk that legislation will not be followed. Legislative compliance personnel and, in particular, the manager, are in a situation where they cannot be any conflict of interest between their responsibilities regarding legislative compliance and any other responsibility that they may have. Finally, the legislative compliance area has access to the information and personnel that are necessary to carry out its duties.

4. Operating risk

Cajamar has an Operating Risk Management and Control Policy Manual, which covers: (i) The basic management and control principles, (ii) the framework of action, (iii) the risk management cycle, (iv) the bodies responsible for management and control, and (v) the operating risk measurement and management tools.

The general principles regarding the management and control of operating risk that must be followed by any activity related to this risk are as follows:

> **Principle of functional independence.** There must be autonomy when taking decisions with respect to the various parties affected by the operating risk.

> **Principle of unity,** according to which there must be uniformity in the policies, processes, procedures and tools.

> **Principle of totality.** To manage and control operating risk all of the various risk events that have been identified must be grouped together and an overall capital from must be established to cover these risks.

> **Principle of transparency.** To strengthen a corporate culture of operating risk adequate publicity must be given to the action that is taken to manage this risk of on an internal and external level, so that the participant in the markets may evaluate the operating risk approach.

> **Principle of adapting to changes.** Due to the continuous improvement and the development of the entities, in general the Operating Risk Control office, the Operating and Market Risk Control area, Overall Risk Control and, ultimately, Senior Management bear the responsibility of investigating the operating risk profile of new products, processes, systems, lines of business or any change in the overall risk profile resulting from acquisitions, mergers or combinations.

The general approach for operating risk management is a **low tolerance of risk**, which requires:

> The prevention or mitigation of all significant operating risks, primarily through preventive controls and, when this is not sufficient, mitigating controls. Exceptions (acceptance of residual risk) must be clearly documented and reported to management.

> The availability of business continuity plan that limit the impact of operating interruptions, and which must: (i) be realistic and executable, (ii) reviewed regularly, and (iii) allow the continuity of the service through alternative systems.

> The monitoring of transactions, compliance with reporting requirements, the processing of data, contingency plans and other practices that have an operating nature and are relevant for the adequate development of the business.

5. Market and exchange rate risk

Cajamar has a Market and Exchange Rate Risk Manual, approved by its Governing Body, which contains: (i) the basic principles governing these risks, (ii) the applicable limits, (iii) the bodies responsible for management and control, (iv) the procedures for calculating risks and limits and (v) the reports that are necessary for management and control.

The basic principles that define the policy are:

> Exposures to market and exchange rate risks will never be of a speculative nature, which is understood to be an attempt to take advantage of short-term price fluctuations. As a result trading portfolios are prohibited but this does not impede certain instruments, contracted for hedging purposes, being recorded as trading portfolio is due to regulatory requirements.

> The contracting of derivative instruments and term transactions in currencies can only be carried out to hedge previously authorized risk positions.

> The acquisition of fixed-income or equity instruments may only take place within the framework of the management of a "portfolio", whose creation must be expressly authorized by the Executive Committee which will establish the investment policy and the objective of the portfolio management and, if appropriate, will establish the limits to losses in value and value at risk. When the establishment of limits is not appropriate, the agreement must state the reasons why.

> The limits to exchange rate risk will be adjusted to the levels that are strictly necessary to facilitate the operating needs of customers.

> The net position with respect to market risk cannot exceed 50% of computable equity.

> The net position with respect to market risk for equity portfolios cannot exceed 5% of computable equity.

D.2. State the control systems in place to evaluate, mitigate or reduce the main risks of the company and its group.

Within the area of risk control, Cajamar has implemented the independence of duties principal to a high degree which is shown at the highest levels by the existence of a General Control Manager that reports to the Governing Body, in addition to the Committees delegated by the Governing Body as indicated in section D.3 below. The Overall Risk Control and Legislative Compliance Divisions report, in turn, to this Control Manager and the duties and organizational structure of these divisions will be defined further below and cover all of the aforementioned risks.

To obtain a better understanding of this section, we will provide a general description for all risks using as a centre point (i) the control bodies and (ii) the control systems and tools.

Finally, it should be noted that we will only describe the bodies whose purpose is purely one of control, even though Cajamar has multiple executive departments that carry out their own controls.

1. CONTROL BODIES

1.1. Overall Risk Control

a) Subsidiary lines

> Credit risk control

> Market and operating risk control

> Methods for measuring risk

b) Duties

> Propose monitoring criteria for Cajamar's loan portfolio, based on the principles of relative importance, the differentiation of management policies and the homogeneity of measurement models.

> Proposed internal limits for the exposure of Cajamar and its financial group to credit, price, interest, liquidity and operating risks.

> Supervise compliance with the limits that are established internally or by the Regulator regarding credit, price, interest rate, liquidity and operating risks.

> Analyze the exposure of Cajamar and its financial group to credit, price, interest rate, liquidity and operating risks, as well as their trends, preparing proposals to change management policies when it is considered that a trend could lead to undesirable exposures.

> Coordinate Cajamar's Capital Self-evaluation Process, taking responsibility for the preparation of the report that must be published on an annual basis.

> Established the methods for measuring credit, price and operating risk, as well as supervising the effectiveness of those adopted by the relevant body to measure interest-rate and liquidity risk.

2. REGULATORY COMPLIANCE

a) Subsidiary lines

> Money-laundering and terrorism financing prevention unit - UPBCFT -

> Customer protection

> Customer Service

b) Duties

> Proposed the policies and procedures that ensure proper compliance with the law or administrative regulations:

- The measures to prevent action that could lead to money laundering or the financing of terrorism.
- The codes of conduct within the securities markets, to prevent practices involving market abuses.
- The transparency of transactions and customer protection, both with respect to banking transactions and investment services.
- Personal data protection for customers, suppliers, members and employees.

> Evaluate the effective compliance with established policies and procedures, to the implementation of controls in business processes and the design of compliance tests whose execution may be independent or coordinated with other departments at Cajamar, which must collaborate when necessary.

> Act as a contact for the National Stock Market Commission with respect to the issues that it regulates, and in particular:

- The reporting of relevant events involving Cajamar Group
- The reporting of transactions suspected of involving market abuse
- The preparation and publishing of the annual corporate governance report

> Report, and monitor the implementation of any modifications and additions to relevant legislation, particularly those that originate from the following organizations:

- Bank of Spain
- National Stock Market Commission
- Directorate General for Insurance and Pension Funds
- Spanish Data Protection Agency

3. Internal Audit

a) Subsidiary lines

- Audit of the sales network
- Remote audit
- Financial audit
- Computer audit

b) Duties

> Plan the Internal Audit activity at Cajamar and its financial group, proposing and Annual Plan to the Audit Committee that contains:

- A map of risks to be controlled
- Permanent controls to be maintained
- The specific work to be carried out at the audited entities.

> Execute the authorized audit plan, reporting:

- To the various persons responsible for the audited lines of business, the conclusions reached and any proposals and/or requirements for action deriving therefrom.
- To the Audit Committee: the degree of compliance with the recommendations and proposals made to the persons responsible for the lines of business, submitting to them any items that have not been covered and which are considered to be particularly harmful for the control environment.

> Adapt the audit procedures to the existing operating structure, such that permanent awareness of any failure to comply with internal regulations and the target valuation of the risk concerned are ensured at all times.

> Coordinate the attention to Regulatory Bodies, both with respect to inspections and information requirements, for which support will be provided by the various functional lines of business that are necessary in each case.

> Similarly, coordinate the attention to External Auditors and, in general, any other entity that carries out an audit, validation, review, evaluation or certification program at Cajamar and its subsidiaries.

2. CONTROL SYSTEMS AND TOOLS

Of the multiple tools and systems designed and implemented by Cajamar to control the risk deriving from its activity, in this report we will only mention those that we consider to be the most relevant.

2.1. Credit rating models

The Entity has an extensive model map that is divided into:

1) Reading and scoring models that are used in the loan admission process and their results modulates the authority system. They cover 67% of the loan portfolio and are as follows:

2) Models that work in the monitoring area, which may be grouped into two categories: Models that rate the customer and models that rates transactions.

2.2. Authority system for granting credit transactions

The authority system for granting credit transactions is based on the principle of delegation and constitutes a hierarchical pyramid based on two fundamental variables: (i) Exposure volume and (ii) Counterparty credit quality. The fundamental characteristics of the system are:

a) Delegated bodies and specialized committees: They receive delegated authority. At Cajamar there are 6 levels. In addition, there are specialized committees with approval authority for a certain type of transaction:

b) Limits by exposure volume: An overall limit is assigned to each delegated body, and there are also sub-limits for each transaction and excess limits.

c) Modulation due to credit quality:

> Based on the conclusions reached by the models that are **binding for loan admission purposes**, the attribution is made to the delegated bodies are modulated.

> In accordance with the **financial situation** of a borrower or financial group, and according to the **rating** obtained from an expert analysis or a customer monitoring model, transactions involving these parties may have a special authority system.

2.3. Rating of borrowers with Significant Exposure:

Borrowers with significant exposure are considered to be all individual borrowers or risk groups which, ordered from higher to lower, accumulate a credit risk exposure that is equal to their computable equity.

Permanent monitoring processes are applied to these borrowers or groups that allow the Entity to adopt protective measures upon the appearance or aggravation of impairment and, in any event, to define a risk policy to ensure their proper accounting classification and the recognition of their impairment.

As a result of this individual review, the risks are classified as Normal, Special Monitoring or Doubtful in memorandum accounts. The classification of borrowers in the Special Monitoring segment cancels the authority to grant new transactions by delegated bodies that are only represented in the sales network.

2.4. Monitoring of credit and counterparty risk with financial institutions:

On a daily basis compliance with the credit risk limits assigned to each counterparty is verified for which a line consumption model has been established based on the sum of the market value of each transaction and an add-on that evaluates potential future risk. Similarly, the rating of financial counterparties is monitored on a monthly basis and the line of risk is updated in the event of any impairment of their credit quality.

Due to its particular relevance, a daily control is performed on inter-bank operations, controlling daily positions, credit risk and the effective collection of principal and interest at maturity.

2.5. Bancware Focus ALM

This application is the main tool for managing and controlling liquidity and interest rate risks, since it is able to:

> Calculate static and dynamic gaps that explain the evolution of liquidity.

> Study and model the performance of balance sheet figures compared with changes in interest rates.

> Obtain reserved statements relating to interest rates and liquidity risks.

2.6. Tools for controlling operating risk

To manage operating risk, the Entity has a web application that includes four modules:

> **Loss database**: This records the relevant information relating to all operating risk events. To maintain it up to date, there are a group of automatic and manual information capture processes that take place on a monthly basis. It contains past information exceeding 5 years.

> **Risk Map and Self-evaluation**: A qualitative evaluation of risks in the various areas (Departments and office network) and the controls that mitigate those risks.

> **KRI's**: Key Risk Indicators To reinforce the work of the self-evaluators a group of Key Operating Risk Indicators have been defined that provide warnings of any saturation of certain aspects of a process, which requires a review of the resources and controls in that process.

> **Reports**: Module that assists with the generation of reports regarding the Entity's situation with respect to operating risk.

2.7. Tool for managing and controlling cash activities

The Entity manages market risk through the application SGT. This is a "Front-to-Back" application, which means that the information captured at source (Front-office) goes directly to the Back-Office, thereby avoiding duplicate captures and possible operating errors.

Although the Entity's current cash activity focuses on the hedging risk and not assuming that you would fit positions, the SGT tool includes a market risk measurement module that applies the VaR method, and which provides market risk analysis and control tools, as well as tools for establishing overall limits, limits for each portfolio under management or for each type of product, as well as a back testing and stress testing program.

D.3. If any of the risks affecting the company and/or its group had materialized, describe the circumstances which caused them and state whether the established control systems have worked.

Risk is inherent to financial activities and therefore the materialization of risks to a greater or lower extent is entirely inevitable.

However, the safeguards that have been established as well as channels and circuits for approving risk operated normally and there are no distortions in the application of the procedures established for this purpose.

D.4. State whether there is any committee or other governance body responsible for establishing and supervising these control mechanisms and detail the functions thereof.

As has been described sufficiently in section B.2.3 above, there is a Risk Committee that supervises risk control activities and a Audit Committee that also supervises control mechanisms.

E) GENERAL MEETING OR EQUIVALENT BODY

E.1. Indicate the quorum for holding a general meeting or a meeting of an equivalent body as stipulated in the bylaws. Describe the differences between the system of minimums established by the Spanish Companies Act or any other applicable legislation.

In accordance with the provisions of Article 15 of the Bylaws, bearing in mind the high number of members of the Bank, its presence in multiple autonomous regions and the consequent difficulty faced by members to attend the General Assembly, the authority of this body will be exercised through and Assembly formed by Delegates designated in Preparatory Meetings and by the persons holding management positions.

As regards the Preparatory Meetings, Article 21.5 of the Bylaws stipulates the following:

The quorum for holding Preparatory Meetings will meet the following rules:

A) At first call not less than 51% of the total voting rights falling to members of the Cooperative assigned to the relevant Meeting must be present or represented.

B) At second call the members present - including those that are represented- must hold 5% of all member votes assigned to the Meeting, but if the total number of members with the right to attend is less than 100, at least 6 with voting rights must attend and when the assigned members exceed 500 at least 25 cooperative members with voting rights must be present or represented.

Article 23.2 of the Bylaw stipulates that the General Assembly will be validly called to order provided that the following requirements are met:

A) More than three fourths of all of the Preparatory Meeting established in this Section must have been effectively held beforehand.

B) In order to call the meeting to order at first call, more than one half of the total number of delegates elected at the previously held Meetings must present together with all members that hold positions at the Bank. That second call only 40% of the chosen Delegates and members holding positions must be present.

E.2. Explain the system for adopting resolutions. Describe any differences with the system established by the Spanish Companies Act or any other applicable legislation.

As a Credit Cooperative, Cajamar meets all applicable legislation and there is no difference with respect to the system for adopting resolutions established in legislation. Article 24 of the Bylaws establishes the applicable legal provisions with respect to this area.

Accordingly, and in order to exactly describe the manner of adopting resolutions, Article 24 is transcribed below:

Article 24 System of majorities at the Assembly of Delegates

1. The assembly of Delegates will adopt resolutions, as a general rule, with a majority of more than 50% of the votes validly cast, and for these purposes blank votes and abstentions are not computable. Resolutions that are of an electoral nature, to designate members and alternates for governing and other bodies will be decided by a majority of the number of votes cast.

Under no circumstances may a casting vote exist.

2. A majority of two thirds of voting rights present and represented will be required to:

a) Join or exit a cooperative group regulated by Law 27/1999.

b) Modify the Bylaws, notwithstanding the fact that in accordance with the adaptation to Law 27/1999 on Cooperatives -and the new Bylaws resulting from that adaptation- they may be adopted by more than one half of the voting rights that are present and represented, in accordance with the provisions of that Law.

c) Approve the merger, universal assignment, spin-off or the dissolution of the Entity, except when the latter must take place due to legal reasons for which an ordinary majority of the General Assembly is sufficient.

d) Sell or assign the Entity, or any portion thereof, by any means, which gives rise to a substantial modification of the Cooperative's equity, financial, organizational or functional structure, as defined by the provisions of Article 14.2.g) of these Bylaws.

e) Reactivate the Entity.

f) Issue debentures or other securities if required by applicable legislation.

g) Agreed to revoke or remove the« Governing body, Controllers or Resource Committee, or any of their members early, except in cases of flagrant crimes, very serious infractions confirmed by the Ministry of Finance or the existence of a situation that requires the immediate removal of the relevant responsible person.

h) Any other issues for which this majority is required by current regulations.

E.3. Indicate the rights of shareholders or participants with respect to the general meeting or equivalent body.

With respect to the Preparatory Meetings and the General Assembly of Delegates, members may exercise the following rights in accordance with the provisions of the Bylaws and within the framework of regulations governing credit cooperatives:

> Elect and be elected to any position in the governing bodies existing at the Cooperative - in accordance with the Bylaws - and for any transitional duties, of members of the Assembly Board or Controllers or delegates at assembly meetings.

> Formulate proposals and requests for information from any governing body - within their respective areas of authority.

> Attend and participate, with the right to be heard and vote, at Preparatory Meetings and, through Delegates, the adoption of resolutions by the General Assembly.

> Receive the information that is necessary to exercise these rights and comply with obligations, and the terms established by current legislation, the Bylaws or any others agreed by the General Assembly.

E.4. Briefly indicate the Resolutions adopted at the General Meetings or meetings of equivalent bodies held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

In 2009 the Entity held to General Assemblies, the first was an Ordinary meeting and the second was an Extraordinary meeting.

The ordinary General Assembly took place on 25 March 2010 and, in accordance with the relevant Agenda, the following resolutions were adopted:

> Approval of the Individual Annual Accounts and the Individual Directors' Report and the Consolidated Annual accounts and Consolidated Directors' Report for Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Entities pertaining to Grupo Cooperativo Cajamar for the year ended 31 December 2009, distribution of available surpluses and the basic lines in which the Education and Development Fund would be used and applied.. (Unanimous).

> Establishment of the limits, time and manner of payment of the interest-rate applicable to the Contributions to Share Capital. Delegation of the authority to execute the resolution adopted to the Governing Body. (Unanimous).

> Authorization was granted to the Entity's Governing Body to execute the issue of financial instruments in a maximum amount of 4,000,000,000 euros. (Unanimous).

> Designation of auditors for 2010. (Unanimous).

> Authorization was granted to the Governing Body to make pre-payments of amounts relating to the Education and Development Fund between 1 January 2011 and the date of the Ordinary General Assembly for 2011. (Unanimous).

> Ratification of the resolutions adopted by the Governing Body with respect to Grupo Cooperativo Cajamar, as necessary, and authorization was granted to the Governing Body to approve the entry of other entities into Grupo Cooperativo Cajamar and its associated Institutional Protection System. (Unanimous).

> Designation of three Members-with alternates-to ultimately approve the Minutes, together with the Chairman, within 15 days following the date on which the General Assembly was held. (Unanimous).

The Extraordinary General Assembly took place on 19 August 2010 and, in accordance with the relevant Agenda, the following resolutions were adopted:

> Assembly Resolution regarding the merger project involving Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caixa Rural de Balears, Sociedad Cooperativa de Crédito. (Unanimous).

> Authorization was granted to the Chairman and the Five-Chairman to defend the Bank's interests and those relating to the merger that was just approved, as appropriate. (Unanimous).

> Authorization was granted to the Chairman Ed the Secretary to the Governing Board and their respective alternates, to document, enter into the appropriate registries and execute the resolutions that are adopted by the Assembly and, if appropriate, to clarify, complete, correct or modify those resolutions, after receiving the approval of the governing body, as required and/or advisable so that they are completely efficient and effective. (Unanimous).

> Designation of three Members-with alternates-to ultimately approve the Minutes, together with the Chairman, within 15 days following the date on which the General Assembly was held. (Unanimous)

E.5. Indicate the address and access to the corporate governance contents on the company's website.

Cajamar's website (www.cajamar.es) has two sections, which are visible and emphasised on the home page, that relate to the content of corporate governance: <<Information for members>> and <<Information for investors>>.

The section <<Information for members>>, which is visible on the home page, offers users a one step pathway to view the link to the Corporate Governance Report for the relevant year.

Similarly, the section "Information for Investors", offers users a one step pathway to directly access the link to a specific section of the corporate governance area that includes the Corporate Governance Report for the relevant year.

E.6. Indicate whether or not meetings have been held by syndicates, if any, of the holders of any securities issued by the Entity, the purpose of the meetings held during the year to which this report refers and the main resolutions adopted.

Through a Public Document executed on 8 March 2005 the Entity issued Subordinated Bonds with a value of 300 million euros. The relevant Bondholder Syndicate has not held any meeting this year.

In accordance with the new regulations governing this area, a Private Issue Document executed on 6 July 2006, the Entity issued Ordinary Bonds in the amount of 400 million euros. The issue was entered into the National Stock Market Commission Registry on 13 July and the Securities Memo dated 18 July was entered into the registry on 20 July 2006. The bondholder Syndicate concerned did not hold at any meeting during the past year.

The Entity has issued Guaranteed Ordinary Bonds in the amount of 100 million euros which mature in March 2011. The issue was carried out in accordance with the Securities Issue Prospectus that was entered into the official registry at the National Stock Market Commission on 6 December 2008. The relevant Bondholder Syndicate has not held any meeting this year.

The Entity has issued Guaranteed Ordinary Bonds in the amount of 134 million euros which mature in June 2012. The issue was carried out in accordance with the Securities Issue Prospectus that was entered into the official registry at the National Stock Market Commission on 6 December 2008. The relevant Bondholder Syndicate has not held any meeting this year.

The Entity has issued Guaranteed Ordinary Bonds in the amount of 1,000,000,000 euros which mature in March 2012. The issue was carried out in accordance with the Securities Issue Prospectus that was entered into the official registry at the National Stock Market Commission on 6 December 2008. The relevant Bondholder Syndicate has not held any meeting this year.

The Entity has issued Guaranteed Ordinary Bonds in the amount of 500,000,000 euros which mature in May 2013. The issue was carried out in accordance with the Securities Issue Prospectus that was entered into the official registry at the National Stock Market Commission on 14 January 2010. The relevant Bondholder Syndicate has not held any meeting this year.

F) COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the level of compliance by the entity with current corporate governance recommendations or, if appropriate, those that have not been followed.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the entity.

As long as the document referred to by ORDER ECO/3722/2003, 26 December, has not been prepared, the reference for completing this section should be the recommendations of the Olivencia Report and the Aldama Report, to the extent that they are applicable to your entity.

In accordance with its legal nature, Cajamar Caja Rural, Sociedad Cooperativa de Crédito complies with the legislation governing Credit cooperatives and the provisions of its Bylaws and therefore its operations differ from those covered by legislation applicable to listed companies.

The document referred to above was approved by Board of the National Stock Market Commission on 22 May 2006 with the title of << Unified Code of Good Governance for listed companies>> and it establishes a series of recommendations regarding corporate governance that are applicable only to listed companies.

Notwithstanding the above, below we indicate the level of compliance with those recommendations that in some way could be considered to be applicable to Cajamar in accordance with its cooperative structure.

Bylaws and General Assembly

- Recommendation 1. Statutory limitations

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

- Recommendation 2. Listing of companies integrated into groups

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

- Recommendation 3. Authority of the General Meeting

Article 14.2 of the Bylaws governing Cajamar stipulates, in line with the recommendations set out in the Unified Code, that the General Assembly (body equivalent to a General Meeting at listed companies) is authorized to take the following action, among others:

f) Merger, spin-off and dissolution of the Entity, unless the latter is necessary as a result of a decision issued in accordance with the Law by a court or administrative authority.

g) Sale or assignment of the Entity, or any part thereof, by any means, or any other decision that gives rise to a substantial modification of the cooperative's financial (whether equity or financial), business, organizational or operational structure. Substantial modifications are considered to be those they give rise to the sale or assignment of offices or volumes of business that exceed 10% of the total deposits held by the Bank.

h) Agreed to create a Cooperative on a second or lower tier, or a consortium, or joining any such entities or any for which the agreement of the General Assembly is expressly required by law.

- Recommendation 4. Prior information regarding proposed resolutions

Proposals for resolutions to be adopted by the General Assembly will be reported the same day on which the Assembly is called, in sufficient detail and sufficiently in advance (at least 15 days before the first Preparatory Meeting) in accordance with the provisions of Article 16 of Cajamar's Bylaws.

- Recommendation 5. Separate votes for issues

Each of the proposals submitted to the General Assembly will be treated, for voting purposes, independently, particularly the proposals made by the Governing Body.

- Recommendation 6. Division of votes

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Governing Body

- Recommendation 7. Social interest

Since its creation as a cooperative credit entity, Cajamar has included social responsibility in its mission, principles, values and its actions as a financial institution. This represents its voluntary commitment to contribute financial solutions to economic and social development in the environment in which it carries out its activity, and its association with local production systems, socioeconomic balance and the protection of the environment are fundamental values to attain its objectives.

The corporate Social Responsibility Report, prepared by balancing the requirements of the Global Reporting Initiative indicators with the reporting needs of our stakeholders transparently reports to them the actions taken and the Entity's commitment to society in economic, social and environmental terms.

Based on these premises, the Governing Body at Cajamar carries out its duties with a common purpose and independent and it offers the same treatment to all members, is guided by the Entity's interests and ensures that its relationships with the aforementioned stakeholders in the Bank respect the law and regulations. It complies in good faith with its obligations and contracts, respects good practices and uses in the sectors and territories in which it carries out its activities and observes all additional social responsibility principles that it has voluntarily accepted.

- Recommendation 8. Authority of the Governing Body

This body, in accordance with the unified code, has broad authority to carry out the Entity's core mission.

Accordingly, the Governing Body, as is stipulated in Article 25 of Cajamar's Bylaws, it is the governing body that is responsible for, at least, senior management, the supervision of executives and the representation of the Bank, in the terms indicated by current legislation.

It has authority to establish the general guidelines governing the Entity's actions, subject to the Law, its Bylaws and the policies established by the General Assembly.

- Recommendation 9. Size

In accordance with the provisions of Article 26.1 of Cajamar's Bylaws, a fixed number of 15 members of the Governing Body has been established, 14 of which will be elected from among individual members or representatives of members that are companies, whereas the 15th member will be an employee of Entity with an indefinite employment contract.

- Recommendation 10. Functional structure

Of the 15 members that make up the Governing Body at Cajamar nine are considered to be other external directors and six are executive directors.

- Recommendation 11. Other directors

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

- Recommendation 12. Proportion between independent and dominical directors

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

- Recommendation 13. Sufficient number of independent Directors

Other external directors make up two thirds of the total directors at Cajamar.

- Recommendation 14. Explanation of the nature of the directors

This recommendation is not applicable to Cajamar given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

- Recommendation 15. Gender Diversity

The process of appointing candidates to the Governing Body is democratic based on the configuration of one member one vote and therefore there is no obstacle whatsoever to select female directors.

- Recommendations 16 and 17 Chairman

In addition to their status as members, Article 28.2 of the Bylaws formally recognized the right of directors to receive the information necessary to carry out their duties and comply with their obligations, as well as the right to express an opinion and debate. (Recommendation 16)

Cajamar does not have any *senior or lead independent director* (Recommendation 17) However, by virtue of the provisions of Article 30.1, the Governing Body must be called to a meeting by the Chairman if requested by two directors or by General Management.

- Recommendation 18. Secretary

In addition to being a member of the Governing Body and in care of the formal and material legal aspects relating to the Governing Body, the Secretary participates in the Executive Committee and in the Audit Committee which guarantees and reinforces this function within the Governing Body.

- Recommendations 19, 20 and 21. Meetings

There is preset calendar for annual meetings and Article 30 of Cajamar's Bylaws establishes monthly ordinary meetings of the Governing Body.

The Governing body may also hold extraordinary meetings provided that there are issues that must be resolved before the next ordinary meeting.

A meeting of the Governing Body must be called by the Chairman, or the alternate, at his/her own initiative or at the request of at least two directors or by General Management. If the request is not fulfilled within 10 days, it may be called by those persons that made the request provided that at least one third of the Governing Body joins the request. (Recommendation 19).

In accordance with the provisions of Article 28.1.f) of Cajamar's Bylaws, among the obligations falling to Directors is that of <<attending, unless otherwise justified and without any possibility of delegating authority, all of the meetings held by the Governing Body>>.

In line with the above, the minutes to the Governing Body Meeting in question will indicate any absences by directors.

Of all of the meetings held by the Governing Body (one per month, plus the two General Assembly meeting) only six absences of its 15 Members took place in 2010. (Recommendation 20)

Finally, the minutes to the Governing Body Meeting will state all of the interventions made by directors as well as the debates that take place and, therefore, they will also record any concerns regarding the company's performance. (Recommendation 21)

- Recommendation 22. Regular evaluation

Regular evaluations take place but there is no formal procedure for doing so.

- Recommendations 23, 24 and 25. Information provided to directors

As was indicated in Recommendation 16, in addition to their status as members, Article 28.2 of the Bylaws formally recognized the right of directors to receive the information necessary to carry out their duties and comply with their obligations, as well as the right to express an opinion and debate.

In addition to the right to receive the information that is necessary to exercise their rights and comply with their obligations as is recognized by Article 28.2 of the Bylaws, Directors may always request additional information regarding issues that fall within the area of authority of the governing body. (Recommendation 23)

Directors are entitled to obtain advisory services from the Bank line with the duties and at the cost of the Entity. (Recommendation 24)

Cajamar currently does not have any orientation program for new members of the Governing Board intended to provide them with knowledge of the Entity and its corporate governance rules. However, since any person that may be elected to the position of director must be a member such a program may not be necessary. There are no formal update programs but directors receive information of any new issues that are considered to be relevant. (Recommendation 25)

- Recommendation 26. Dedication of directors

In accordance with the provisions of Article 28 of its Bylaws, the directors of Cajamar must perform their duties with full loyalty, dedication and discretion and place Entity's interests before their personal or professional aspirations and those of any other person or entity.

Directors

- Recommendation 27. Selection, appointment and re-election

In accordance with the provisions of Article 26 of the Bylaws, the members of the Governing Body art elected for a term of six years and simultaneously and fully rotate at the end of each term and they may be re-elected.

Fourteen of the 15 members making up the Governing Body will be elected - from among individual members or the representatives of corporate members- by the General Assembly through a secret vote based on the majority of votes issued. The 15th member of the Governing Board will be an employee of the Entity with an indefinite employment contract and will be elected as a member by a special assembly of permanent employees, when there is more than one Workers' Committee at the Entity, and if this is not the case, that Committee will select a representative.

The candidates will be presented in closed list, indicating the various positions to be selected.

Only members of the Entity that are individuals or the representatives of corporate members that meet the requirements regarding honour and professionalism that are required by the Bylaws and must be fully capable from a legal point of view and not, under any of the situations that give rise to any prohibition or legal incompatibility in accordance with applicable legislation.

The requirements regarding honour and rationalism, and not be charged with any of the crimes referred to by Royal Decree 84/1993, are also applicable to the Employee Director.

- Recommendation 28. Public information regarding directors

The Cajamar website does not include a professional profile or biography for directors, indication of whether or not they pertain to other governing bodies or other boards of directors, the category of director into which they fall and the date of their first appointment, as well as any re-election.

The other information indicated by the Unified code in the recommendation would not be applicable given the cooperative nature of Cajamar.

- Recommendation 29. Rotation of independent directors

Cajamar's bylaws do not contain any limitation to the number of terms over which a director may serve.

- Recommendations 30, 31, 32, 33 and 34. Removal and resignation

Recommendation 30 is not applicable to Cajamar given that it is a cooperative and the profile of the directors to which it is oriented.

As regards recommendation 31, in accordance with Article 27 of the Bylaws, the Governing Body can only suspend, not remove, a director, when the reasons indicated in section 4 arise, i.e. there has been a situation of disloyalty, lack of dedication or discretion, all of which are required for these positions.

In line with recommendation 32 of the Unified Code of Conduct, Articles 27.2 and 27.4 of Cajamar's Bylaws cover the application of the liability system established for Public Limited Liability Companies to Directors, as well as the possibility that the Governing Body may suspend directors if there has been a situation of on loyalty, lack of dedication or discretion on the part of Directors due to a proven serious infraction and in defense of the Entity.

Article 27.3 of Cajamar's Bylaws stipulates that << the members of the Governing Body will be removed for all reasons established by law or in the Bylaws and when elected by the General Assembly they may be removed by resolution adopted by the General Assembly, with the majorities established in the pertinent regulations. In addition, the member of the Governing Board elected by employees may be removed, for justified cause, by resolution adopted by the body representing employees.

Article 28.1 of Cajamar's Bylaws establishes the obligation of director to duly report to the Chairman, the Managing Directors, if any, and General Management of any events or news that the director is aware of, provided that they may influence projects, programs, plant, corporate structure, the business organization or the operation of the Cooperative.

With respect to recommendation 33 of the Unified Code, Article 28.1 of Cajamar's Bylaws establishes that directors may oppose any proposal that they consider to violate the law or the bylaws, whether prohibitive or imperative, and request that this opposition be noted in the minutes to the meeting.

There are no issues relating to the provisions of recommendation 34.

- Recommendations 35, 36, 37, 38 and 39. Compensation

In accordance with the provisions of Article 27.1 of Cajamar's Bylaws, the position of Director will be, in general, held without compensation notwithstanding the appropriate reimbursement of expenses generated during the performance of the duties, including the per diems paid for the time effectively dedicated to the Governing Body, which will be established each year by the General Assembly.

In addition, the positions of Chairman, Place Chairman, Secretary and Managing Directors, if any, due to their higher level of dedication, transcendence and responsibility, may be compensated in the manner and in the amount agreed by the General Assembly.

- Recommendation 40. Consultation vote by the General Meeting

We refer to the matters indicated in the preceding section on Compensation.

- Recommendation 41. Transparency of individual compensation

In line with this recommendation, the notes to the annual accounts for Cajamar include a section regarding the individual compensation paid to directors during the year and this figure includes both fixed compensation and per diems.

Committees

- Recommendations 42 and 43 Delegated Committee

The composition of the various categories of directors on the Executive Committee is four executive directors and another three that pertain to the category "Other external directors".

The secretary to this Committee is also the secretary to the Governing Body. (Recommendation 42)

All of the minutes of the executive committee will be published and will be accessible to directors through the executive portal. In addition, at each meeting held by the Governing Body a summary of the relevant resolutions adopted by the committee will be provided (Recommendation 43).

- Recommendations 44 and 45 Supervisory and control Committees

In addition to the Audit Committee, the Governing Board of Cajamar also has a Nominations and Compensation Committee.

The rules regarding the composition and the operation of the Audit Committee and the Nominations and Compensation Committee are established in their respective Regulations, given the absence of Regulations for the Governing body.

As regards their composition, it should be indicated that of the Chairman and five members that form part of the Audit Committee, four are other external directors (including the Chairman) and only one is an Executive Director. Four of the six members that form part of the Nominations and Compensation Committee are other external directors, although the Chairman is an Executive Director.

In particular, Article 4 of the regulations governing the Nominations and Compensation Committee indicates that its members must have the experience and knowledge required to adequately perform their duties.

In accordance with the provisions of Articles 11 and 12 of the Regulations for the Nominations and Compensation Committee and Audit Committee, respectively, stipulates that members of both committees may request advisory services from external experts at the entity's cost when considered necessary to perform their duties.

Furthermore, in accordance with the provisions of Article 8 of those regulations, both committees will issue minutes for their meetings and will inform the Governing Body of the issues discussed at those meetings, the results of their work and the resolutions adopted. (Recommendation 44)

Both the Audit Committee and the Nominations and Compensation Committee, together with all other Committees in their respective areas of responsibility, supervise compliance with the internal codes of conduct and corporate governance rules. (Recommendation 45)

- Recommendations 46, 47, 48, 49, 50, 51, 52 and 53. Audit Committee

In accordance with its Regulations, approved by the Governing Body, the Committee will be formed by six members designated by the Governing Body from among its members.

The members of the Committee will consist of a majority of non-executive directors.

In accordance with these regulations, the Chairman must be elected from among the non--executive directors on the Governing Body.

The Governing Body may appoint non-director advisors to assist with the performance of the duties falling to the members of the Committee.

The members of the Committee may also request the hiring of legal, accounting, financial or other expert advisors, at the cost of the Entity. (Recommendation 46)

The Entity has an internal audit area that regularly reports to the Audit Committee so as to provide it with information on which to base judgments and verify the proper operation of the information and internal control systems. (Recommendation 47)

The Audit Committee at Cajamar approves the Annual Internal Audit Plan and regularly received information of any weaknesses detected by the audit work and at the end of each year it prepares a report regarding the activity carried out by the Committee to be presented to the Governing Body. (Recommendation 48)

As may be observed in sections D.1 and D.2 of this report, the risk management and control policy is broad and covers credit, market, liquidity, legislative non-compliance and operating risks and also establishes measures to mitigate the impact of identified risks in the event that they materialize, as well as the information and internal control systems that will be used to control and manage the aforementioned risks. (Recommendation 49)

The duties of the Audit Committee cover all of those established by law and, in particular, although is indicated in point 4 of Section B.2.3 of this report. (Recommendation 50)

In line with recommendation 51, Article 8 of the Committee Regulations stipulates that any member of management or employee of Caja Rural whose presence is required by the Chairman will be obligated to attend Committee meetings and provide all cooperation and access to the information available to the employee.

The duties of the Audit Committee do not include informing the Governing Body prior to the adoption by that body of the decisions indicated in recommendation 52.

The Governing Body should ensure that the annual accounts are presented to the General Assembly without any reservation or qualifications in the audit report. However, as was indicated in section B.1.8 of this report, mechanisms have been established to avoid this circumstance. (Recommendation 53)

- Recommendations 54, 55, 56, 57 and 58. Nominations and Compensation Committee

The majority of the members of the Nominations and Compensation Committee are other external directors. (Recommendation 54).

With respect to the recommendations established under numbers 55, 56, 57 and 58, we refer to the matters mentioned in section B.2.3 of this report, which indicates the duties of the Nominations and Compensation Committee.

G) OTHER INFORMATION OF INTEREST

If it is considered that any principles or significant aspects relating to corporate governance practices applied by the entity have not been addressed in this report, describe and explain them below.

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the entity is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

- Clarifying note A.1, A.2 y A.3

These sections have not been completed because they are not applicable to Cajamar as there is no member with a significant shareholding or "notable influence" (the possibility of designating or removing a member of the Governing Body at the Entity or proposing the designation or removal of a member of the Governing Body of the Entity).

- Clarifying note C.1

This section has not been completed for the same reasons indicated in the first clarification note.

- Clarifying note C.4

This section has not been completed given the cooperative nature of the entity and because, in accordance with the relevant section of the instructions, it must only be completed when the legal status of the entity is a public limited liability company.

Cajamar is not subject to any legislation other than that in force in Spain with respect to corporate governance.

This annual report on corporate governance was approved by the entity's Board of Directors or Governing body of the Company on 24 March 2011.

State whether any directors or members of the governing body voted against or abstained from approval of this report.