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

Consolidated Annual Accounts and Consolidated Management Report

Year 2012

GRUPO COOPERATIVO CAJAMAR

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

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (previously Cajamar Caja Rural, Sociedad Cooperativa de Crédito)

1. We have audited the consolidated annual accounts of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (previously Cajamar Caja Rural, Sociedad Cooperativa de Crédito, the Head Entity) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2012, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. The Parent Company's Directors are responsible for the preparation of these consolidated annual accounts in accordance with the financial reporting framework 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.

2. In our opinion, the accompanying consolidated annual accounts for 2012 present fairly, in all material respects, the consolidated financial position of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and its subsidiaries at 31 December 2012 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

3. Without qualifying our audit opinion, we draw attention to Note 1 of the accompanying consolidated annual accounts, which states that on 17 January 2012 the General Assemblies of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito, respectively, approved the Plan for the Merger of those entities, which was approved by the Ministry of the Economy and Competitiveness on 10 July 2012, following the favourable report of the Bank of Spain and other supervisory bodies. Under that Merger Agreement, following receipt of all pertinent authorisation, on 16 October 2012, the dissolution without liquidation of both entities took place together with the formation of a new Credit Cooperative named Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, to which on 8 November 2012 the assets and liabilities of both entities were transferred. Similarly and as a result, the Credit Cooperative Groups of which both entities were the parent were extinguished, a new Credit Cooperative Group being formed named Grupo Cooperativo Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, authorised and previously classified as such by the Bank of Spain on 27 June 2012, and of which Cajas Rurales Unidas, Sociedad Cooperativa de Crédito is the parent entity.

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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

In addition to the application of accounting and measurement standards required under International Financial Reporting Standards, adopted by the European Union, for this kind of business combinations, and which are detailed in Note 3 of the accompanying consolidated accounts and the disclosure of the information in the notes of the present consolidated annual accounts required under such legislation, the Directors of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, as the Governing Body of the Cajas Rurales Unidas Group, have decided to present, as additional consolidated information (merely for information purposes and therefore not subject to the audit opinion in this Auditor Report, although the amounts of that additional pro-forma information form part of the figures of the accompanying consolidated annual accounts for 2012 of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and subsidiaries), together with the consolidated information for the year ended 31 December 2012, that relating to the consolidated balance sheet, the consolidated income statement and the consolidated statement of recognised income and expense for the period 1 November 2012 to 31 December 2012 (the period for which, for identification purposes, a consolidated profit after tax is reported amounting to €53,759 thousand) given that the directors of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito consider that such information is relevant to reflect the commercial and economic reality of the resulting activity of the new Cooperative Group as from 1 November 2012, the date of its formation.

4. The accompanying consolidated directors' report for 2012 contains the explanations which the Directors of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito consider appropriate regarding the situation of the Group, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' report is in agreement with that of the consolidated annual accounts for 2012. Our work as auditors is limited to checking the consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Fco. Javier Astiz Fernández
Partner

24 April 2013

CAJAS RURALES UNIDAS SOCIEDAD COOPERATIVA DE CRÉDITO
AND ENTITIES FORMING GRUPO CAJAS RURALES UNIDAS
Consolidated balance sheets as at 31 December 2012 and 2011

Assets

	Thousands of euros		
	2012	**2012 (*)**	**2011 (**)**
Cash and balances with central banks	**366,434**	**366,434**	**451,448**
Financial liabilities held for trading	**2,949**	**2,949**	**1,142**
Loans and advances to credit institutions	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	493	493	-
Equity instruments	176	176	-
Trading derivatives	2,280	2,280	1,142
Memorandum item: Loaned or advanced as collateral	-	-	-
Other financial assets at fair value through profit or loss	**1,070**	**1,070**	**1,817**
Loans and advances to credit institutions	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	1,003	1,003	1,817
Equity instruments	67	67	-
Memorandum item: Loaned or advanced as collateral	-	-	-
Available-for-sale financial assets	**1,363,057**	**1,363,057**	**2,343,704**
Debt securities	1,224,873	1,224,873	2,189,117
Equity instruments	138,184	138,184	154,587
Memorandum item: Loaned or advanced as collateral	*839,249*	*839,249*	*681,538*
Loans and receivables	**35,762,725**	**35,762,725**	**25,932,639**
Loans and advances to credit institutions	1,505,492	1,505,492	548,146
Loans and advances to other debtors	34,257,233	34,257,233	25,384,493
Debt securities	-	-	-
Memorandum item: Loaned or advanced as collateral	*15,174,328*	*15,174,328*	*12,022,245*
Held-to-maturity investments	**1,971,969**	**1,971,969**	**136,625**
Memorandum item: Loaned or advanced as collateral	*1,590,905*	*1,590,905*	*32,787*
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	**-**	**-**	**-**
Hedging derivatives	**192,657**	**192,657**	**161,810**
Non-current assets held for sale	**392,296**	**392,296**	**212,419**
Investments	**61,734**	**61,734**	**50,414**
Associates	61,734	61,734	50,414
Jointly controlled entities	-	-	-
Group entities	-	-	
Insurance contracts linked to pensions	**-**	**-**	**-**
Reinsurance assets	**-**	**-**	**-**
Tangible assets	**907,179**	**907,191**	**608,736**
Tangible fixed assets	771,869	771,882	490,564
For own use	*763,210*	*763,223*	*488,325*
Leased out under an operating lease	-	-	-
Assigned to the Education and Development Fund	*8,659*	*8,659*	*2,239*
Investment properties	135,308	135,309	118,172
Memorandum item: Acquired under a finance lease	-	-	-
Intangible assets	**151,986**	**152,046**	**42,647**
Goodwill	113,304	113,304	-
Other Intangible assets	38,682	38,742	42,647
Tax assets	**879,415**	**879,415**	**182,118**
Current	28,057	28,057	15,528
Deferred	851,358	851,358	166,590
Other assets	**1,043,818**	**1,043,818**	**863,112**
Inventories	858,349	858,349	808,837
Other	185,469	185,469	54,275
TOTAL ASSETS	**43,097,289**	**43,097,362**	**30,988,631**

(*) For information purposes, a breakdown of the corresponding unaudited pro-forma statement of the new Cooperative Group is included for the period 1 November to 31 December 2012.

(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

CAJAS RURALES UNIDAS SOCIEDAD COOPERATIVA DE CRÉDITO
AND ENTITIES FORMING GRUPO CAJAS RURALES UNIDAS
Consolidated balance sheets as at 31 December 2012 and 2011

Liabilities

	Thousands of euros		
	2012	**2012 (*)**	**2011 (**)**
Financial liabilities held for trading	**69,777**	**69,777**	**1,142**
Deposits from central banks	**-**	**-**	**-**
Deposits from credit institutions	-	-	-
Deposits from other creditors	-	-	-
Debt certificates including bonds	-	-	-
Trading derivatives	69,777	69,777	1,142
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	**39,896,976**	**39,896,976**	**27,984,780**
Deposits from central banks	5,139,984	5,139,984	3,000,821
Deposits from credit institutions	2,696,039	2,696,039	1,218,155
Deposits from other creditors	29,854,729	29,854,729	20,998,745
Debt certificates including bonds	1,582,751	1,582,751	2,532,802
Subordinated liabilities	156,468	156,468	57,767
Other financial liabilities	467,005	467,005	176,490
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	**9,898**	**9,898**	**14,900**
Liabilities associated with non-current assets held for sale	-	-	-
Liabilities under insurance contract	**-**	**-**	**-**
Provisions	**191,348**	**191,348**	**31,861**
Provisions for pensions and similar obligations	18,566	18,566	21,952
Provisions for taxes and other legal contingencies	1,536	1,536	-
Provisions for contingent exposures and commitments	13,012	13,012	4,413
Other Provisions	158,234	158,234	5,496
Tax liabilities	**86,991**	**86,991**	**65,237**
Current	25,081	25,081	16,877
Deferred	61,910	61,910	48,360
Education and Development Fund	**15,680**	**15,680**	**5,622**
Other liabilities	**334,241**	**334,241**	**218,629**
Capital having the nature of a financial liability	**-**	**-**	**92**
TOTAL LIABILITIES	**40,604,911**	**40,604,911**	**28,322,263**

(*) For information purposes, a breakdown of the corresponding unaudited pro-forma statement of the new Cooperative Group is included for the period 1 November to 31 December 2012.
(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

CAJAS RURALES UNIDAS SOCIEDAD COOPERATIVA DE CRÉDITO
AND ENTITIES FORMING GRUPO CAJAS RURALES UNIDAS
Consolidated balance sheets as at 31 December 2012 and 2011

Equity

	Thousands of euros		
	2012	**2012(*)**	**2011 (**)**
Own funds	**2,504,472**	**2,504,544**	**2,680,658**
Capital or endownment fund	2,003,748	2,003,748	1,394,087
Issued	2,003,748	2,003,748	1,394,087
Less: Unpaid and uncalled	-	-	-
Share premium	-	-	-
Reserves:	1,377,687	383,821	1,279,284
Accumulated reserves (losses)	1,380,873	378,643	1,274,054
Reserves (losses) in entities accounted for by the equity method	(3,186)	5,178	5,230
Associates	(3,186)	5,178	5,230
Jointly controlled entities	-	-	-
Other Equity instruments	75,679	75,679	4,350
Equity component of compound financial instruments	-	-	-
Non-voting equity units and associated funds	-	-	-
Other equity instruments	75,679	75,679	4,350
Less: Dividends and remuneration	-	-	-
Profit for the period attributed to parent	(939,144)	53,812	46,186
Less: Dividend and remuneration	(13,498)	(12,516)	(43,249)
Valuation adjustments	**(12,929)**	**(12,929)**	**(14,290)**
Available-for-sale financial assets	(12,756)	(12,756)	(12,969)
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	(173)	(173)	(1,321)
Other valuation adjustments	-	-	-
Minority interest	**835**	**835**	**-**
TOTAL EQUITY	**2,492,378**	**2,492,450**	**2,666,368**
TOTAL LIABILITIES AND EQUITY	**43,097,289**	**43,097,362**	**30,988,631**

Memorandum Accounts

	Thousands of euros		
	2012	**2012 (*)**	**2011 (**)**
MEMORANDUM ITEM			
Contingent exposures	**1,463,308**	**1,463,308**	**733,595**
Contingent commitments	**2,068,719**	**2,068,719**	**1,828,894**
TOTAL MEMORANDUM ACCOUNTS	**3,532,027**	**3,532,027**	**2,562,489**

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(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

Consolidated Income Statements

	Thousands of euros		
	2012	**2012(*)**	**2011 (**)**
Interest and similar income	**1,138,337**	**232,223**	**982,398**
Interest expense and similar charges	**(569,747)**	**112,160**	**(599,011)**
Remuneration of capital having the nature of a financial liability	**-**	**-**	**-**
A) NET INTEREST INCOME	**568,590**	**120,063**	**383,387**
Return in equity instruments	**2,157**	**39**	**2,162**
Share of profit or loss of the entities accounted for using the equity method	**9,601**	**1,237**	**7,665**
Fee and comission income	**183,337**	**41,892**	**131,109**
Fee and comission expense	**(30,196)**	**(4,298)**	**(20,524)**
Gains or losses on financial assets and liabilities (net)	**86,231**	**32,168**	**107,449**
Financial liabilities held for trading	(12,914)	(10,895)	9,458
Other financial instruments at fair value through profit or loss	(96)	188	69,023
Financial instruments not at fair value through profit and loss	91,812	42,354	24,086
Other	7,428	521	4,882
Exchange differences (net)	**2,118**	**173**	**1,473**
Other operating income	**50,805**	**12,878**	**54,281**
Insurance and reinsurance premium income	-	-	-
Sales and income from the provisions of non-financial services	34,662	9,303	28,892
Other operating income	16,142	3,575	25,389
Other operating expenses	**(109,172)**	**(30,370)**	**(49,006)**
Insurance and reinsurance premums paid	-	-	-
Variation in inventories	(39,902)	(4,609)	(24,609)
Other operating expenses	(69,270)	(25,761)	(24,397)
B) GROSS INCOME	**763,469**	**173,781**	**617,996**
Administrative expenses	**(377,479)**	**(84,970)**	**(343,112)**
Personnel expenses	(276,908)	(60,518)	(251,875)
Other administrative expenses	(100,571)	(24,452)	(91,237)
Depreciation and amortisation	**(46,257)**	**(9,139)**	**(41,064)**
Provisioning expenses (net)	**(77,380)**	**4,437**	**8,336**
Impairment losses on financial assets (net)	**(1,179,680)**	**(16,033)**	**(130,952)**
Loans and receivables	(1,160,246)	(15,021)	(121,001)
Financial instruments not at fair value through profit and loss	(19,434)	(1,012)	(9,951)
C) NET OPERATING INCOME	**(917,328)**	**68,076**	**111,204**
Impairment losses on other assets (net)	**(308,473)**	**1,216**	**(59,383)**
Goodwill and other intangible assets	(13,959)	7	(11,146)
Other assets	(294,514)	1,209	(48,237)
Gain (losses) on non-current assets held for sale not classified as discontinued operations	**(9,982)**	**(707)**	**(4,195)**
Negative difference on business combinations	**-**	**-**	**-**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(42,741)**	**(671)**	**(11,915)**
D) PROFIT BEFORE TAX	**(1,278,524)**	**67,914**	**35,711**
Income tax	**343,328**	**(10,429)**	**10,796**
Mandatory transfer to Education and Development Fund	**(4,040)**	**(3,726)**	**(321)**
E) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS CONTINUADAS	**(939,236)**	**53,758**	**46,186**
Profit or loss from discontinued operations (net)	**-**	**-**	**-**
F) CONSOLIDATED PROFIT FOR THE PERIOD	**(939,236)**	**53,758**	**46,186**
Profit attributed to parent	(939,145)	53,812	46,186
Profit attributed to minority interest	(91)	(54)	-

(*) For information purposes, a breakdown of the corresponding unaudited pro-forma statement of the new Cooperative Group is included for the period 1 November to 31 December 2012.
(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

Consolidated Statements of Recognised Income and Expenses

	Thousands of euros		
	2012	**2012 (*)**	**2011 (**)**
A) CONSOLIDATED PROFIT FOR THE PERIOD	**(939,236)**	**53,758**	**46,186**
B) OTHER RECOGNISED INCOME AND EXPENSES	**2,313**	**6,372**	**11,598**
Available-for-sale financial assets	1,730	20,033	15,438
Revaluation gains/losses	62,788	61,319	11,679
Amounts transferred to income statement	(61,058)	(41,286)	3,759
Other reclassifications	-	-	-
Cash flow hedges	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-	-
Other reclassifications	-	-	-
Hedge of net investments in foreign operations	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Other reclassifications	-	-	-
Exchange differences	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Other reclassifications	-	-	-
Non-current assets held for sale	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Other reclassifications	-	-	-
Actuarial guarantees (losses) in pension plans	-	-	-
Entities accounted for by the equity method	1,147	1,866	(256)
Revaluation gains/losses	1,147	1,866	(256)
Amounts transferred to income statement	-	-	-
Other reclassifications	-	-	-
Other recognised income and expenses	-	-	-
Income tax	(564)	(15,527)	(3,584)
C) TOTAL RECOGNISED INCOME AND EXPENSES	**(936,923)**	**60,130**	**57,784**
Attributed to parent	(936,832)	60,184	57,784
Attributed to minority interest	(91)	(54)	-

(*) For information purposes, a breakdown of the corresponding unaudited pro-forma statement of the new Cooperative Group is included for the period 1 November to 31 December 2012.
(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

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

Thousands of euros

	Own Funds												
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) in entities accounted for by the equity method	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total	Minoritary Interests	Total equity
Closing balance at 31 December 2011	**1,394,087**	**-**	**1,274,055**	**5,230**	**4,350**	**-**	**46,186**	**(43,249)**	**2,680,659**	**(14,290)**	**2,666,369**	**-**	**2,666,369**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance adjusted	**1,394,087**	**-**	**1,274,055**	**5,230**	**4,350**	**-**	**46,186**	**(43,249)**	**2,680,659**	**(14,290)**	**2,666,369**	**-**	**2,666,369**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**-**	**(939,144)**	**-**	**(939,144)**	**2,313**	**(936,831)**	**(91)**	**(936,923)**
Other changes in equity	**609,661**	**-**	**106,818**	**(8,416)**	**71,329**	**-**	**(46,186)**	**29,751**	**762,957**	**(952)**	**762,005**	**926**	**762,931**
Capital/Endowment fund increase	355,637	-	-	-	811	-	-	-	356,448	-	356,448	-	356,448
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities trasferred to other equity instruments	-	-	-	-	1,130	-	-	-	1,130	-	1,130	-	1,130
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Remuneration of members	-	-	(41,725)	-	-	-	-	(13,498)	(55,223)	-	(55,223)	-	(55,223)
Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	(4,728)	(868)	-	-	(46,186)	43,249	(8,533)	-	(8,533)	-	(8,533)
Increases (reductions) due to risk combinations	254,024	-	162,191	(7,285)	69,388	-	-	-	478,318	(952)	477,366	926	478,292
Optional transfer to welfare funds	-	-	(10,500)	-	-	-	-	-	(10,500)	-	(10,500)	-	(10,500)
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases (reductions) in equity	-	-	1,581	(263)	-	-	-	-	1,318	-	1,318	-	1,318
Closing balance at 31 December 2012	**2,003,748**	**-**	**1,380,873**	**(3,186)**	**75,679**	**-**	**(939,144)**	**(13,498)**	**2,504,472**	**(12,929)**	**2,491,543**	**835**	**2,492,377**

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

Thousands of euros

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

Consolidated Cash Flow Statements

	Thousands of euros	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES	**1,708,160**	**411,255**
Profit or loss from the period	**(939,236)**	**46,186**
Adjustments to obtain cash flows on operating activities:	**1,419,355**	**247,085**
Depreciation and amortisation	46,257	41,063
Other adjustments	1,373,098	206,022
Net increase/decrease in operating assets:	**10,522,643**	**940,627**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	(539)	(24,331)
Available-for-sale financial assets	(961,642)	635,996
Loans and receivables	11,014,428	149,880
Other assets de explotación	470,396	179,082
Net increase/decrease in operating liabilities:	**12,062,248**	**1,056,285**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	11,884,485	1,028,673
Other financial liabilities	177,763	27,612
Collection/Payments on account on income tax	**(311,564)**	**2,326**
CASH FLOWS FROM INVESTING ACTIVITIES	**(2,558,958)**	**(169,414)**
Payments:	**2,636,012**	**258,808**
Tangible assets	432,898	95,646
Intangible assets	132,162	22,602
Investments	8,987	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	226,621	140,560
Held-to-maturity investments	1,835,344	-
Other settlements related to investing activities	-	-
Collections:	**77,054**	**89,394**
Tangible assets	43,329	54,873
Intangible assets	256	2,064
Investments	-	10,181
Other business units	-	-
Non-current assets and associated liabilities held for sale	33,469	22,276
Held-to-maturity investments	-	-
Other payments relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**765,784**	**891**
Payments:	**13,498**	**145,649**
Dividends	13,498	43,249
Subordinated liabilities	-	102,400
Redemption of own equity instruments	-	-
Adquisition of own equity instruments	-	-
Other collections relating financial activities	-	-
Collections:	**779,282**	**146,540**
Subordinated liabilities	98,384	-
Issuance of own equity instruments	680,898	146,540
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**(85,014)**	**242,732**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**451,448**	**208,716**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**366,434**	**451,448**

MEMORANDUM ITEM

	Thousands of euros	
	2012	**2011**
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	251,901	219,182
Cash equivalent balances with central banks	114,533	232,266
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial liabilitiy	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**366,434**	**451,448**

Contents

1. General Information

1.1. Nature of the Entity

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

On 15 December 2011 the Governing Boards of Cajamar, Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito approved the plan for the merger of both entities. Following compliance with the legally established requirements, the merger was unanimously approved by the respective General Assemblies of both entities on 17 January 2012. The merger was carried out following the obtention of the mandatory administrative authorisations and in particular, following the proceedings completed before the Secretary General for the Treasury and Financial Policy of the Ministry of the Economy and Competitiveness which granted authorization on 10 July 2012.

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

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

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

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

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

Its current Bylaws derive from the Formation Deed identified above, and are similarly registered, with the aforementioned first entry data.

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

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

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

The aforementioned plan envisaged a merger under which Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana were absorbed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, the latter succeeding under universal title to all the rights and obligations of Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana. Following the obtention of the necessary administrative authorisations, the merger deed was entered in the Mercantile Registry of Almeria on 14 September 2012 (Notes 2.5 and 1.5).

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

Under the resolutions adopted by the Extraordinary General Assembly of Cajamar Caja Rural, Sociedad Cooperativa de Crédito of 23 June 2009 the formation and participation –as the Parent Entity - in the Cajamar Cooperative Group and the pertinent Sistema Institucional de Protección (Institutional Protection System) were approved. The formation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, entailed the dissolution of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and therefore of the Cajamar Cooperative Group (Note 1.5).

On 31 October 2012 Cajas Rurales Unidas, Sociedad Cooperativa de Crédito formalised the subscription of the Regulatory Contract under which the Cajas Rurales Unidas Cooperative Group was created together with the Sistema Institucional de Protección, participating as the parent (Note 1.5).

The Entity's ordinary business activity is mainly conducted under the trademarks “Cajamar Caja Rural”, “Cajamar” and “Grupo Cajamar”.

Cajas Rurales Unidas Cooperative Group

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

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

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

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

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

On the basis of the aforementioned legislation and considerations, on 25 May 2009 the agreement for the formation of the Cajas Rurales Unidas Cooperative Group was approved, Cajamar being the Group's Parent Entity. The Bank of Spain's Executive Committee agreed to consider the Cajamar Cooperative Group as a consolidable group of credit institutions and similarly classified the agreement entered into by the rural savings banks as an Institutional Protection System (SIP).

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

Entity	Date of celebration of Assembly	Date of authorisation of Bank of Spain
Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana	23/06/2009	10/12/2009
Caixa Rural Albalat dels Sorells, Cooperativa de Crédit Valenciana	02/10/2009	27/02/2010
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	16/04/2010	18/10/2010
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	19/05/2010	18/10/2010
Caja Rural de Canarias, Sociedad Cooperativa de Crédito	22/12/2011	14/03/2012

Similarly, the merged entity Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito, was the Parent Entity of the Cajas Rurales del Mediterráneo Cooperative Group, formed in 2010 and made up of the Entity and 14 Rural Savings Banks of the Valencia Autonomous Region. Under this Group's contractual functioning agreement, in addition to the characteristics indicated above, there was an agreement to mutualise results, consisting of the distribution of gross aggregate results based on the total average assets of each entity.

On 27 April 2012 the Chairmen of the parent companies of both Groups, in the name of their respective entities and the savings banks making up their respective Groups, informed the Bank of Spain that the Governing Boards as a whole had agreed to combine both groups and extinguish the pre-existing groups, giving rise to a new group which would be named Grupo Cooperativo Cajas Rurales Unidas, asking for (i) its recognition as a Consolidable Group of Credit Institutions and an Institutional Protection System (ii) the recognition of Cajas Rurales Unidas as the Parent of the new Group and intermediary for the purposes of maintaining minimum reserves, in accordance with European Central Bank Regulations 1.745/2003 and (iii) exemption, on an individual and sub consolidated basis, from compliance with the solvency requirements and limits for major risks in both the Parent and other member entities.

This request was cleared by the Bank of Spain Executive Committee on 27 June 2012 although it was contingent upon certain administrative and corporate formalities which were defined in subsequent months and ended with the execution of the new Group's formation deed on 31 October 2012, giving rise to that new Group and the extinguishment of the pre-existing groups.

From the outset the new Group included the Valencia credit cooperatives, Caja Rural de Sant Vicent Ferrer de la Vall d'Uixo and Caja Rural Católico Agraria, whose application for inclusion was authorised by the Bank of Spain on 30 November 2012. Subsequently, the Cajas Rurales Unidas Cooperative Group was formed by the 22 entities which are indicated below:

Entity	Date of celebration of Assembly	Date of authorisation of Bank of Spain
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	18/12/2012	27/06/2012
Crédit Valencia, Cooperativa de Crédito Valenciana	07/06/2012	27/06/2012
Caixa Rural de Altea, Cooperativa de Credit Valenciana	30/06/2012	27/06/2012
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito Valenciana	15/06/2012	27/06/2012
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	20/06/2012	27/06/2012
Caixa Rural San José de Nules, Sociedad Cooperativa de Crédito Valenciana	15/06/2012	27/06/2012
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	22/06/2012	27/06/2012
Caja Rural de Alginet, Sociedad Cooperativa de Crédito Valenciana	21/06/2012	27/06/2012
Caja Rural San Jaime De Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito Valenciana	15/06/2012	27/06/2012
Caja Rural de Villar, Sociedad Cooperativa de Crédito Valenciana	28/06/2012	27/06/2012
Caja Rural San Josep de Vilavella, Sociedad Cooperativa de Crédito Valenciana	15/06/2012	27/06/2012
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito Valenciana	16/06/2012	27/06/2012
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito Valenciana	15/06/2012	27/06/2012
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito Valenciana	22/06/2012	27/06/2012
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito Valenciana	15/06/2012	27/06/2012
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, Cooperativa de Crédit. Valenciana	20/06/2012	27/06/2012
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/06/2012	27/06/2012
Caixa Rural de Turís, Cooperativa de Crédito Valenciana.	22/06/2012	27/06/2012
Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana	07/06/2012	27/06/2012
Caixa Rural Albalat Dels Sorells, Cooperativa de Crédit Valenciana	05/06/2012	27/06/2012
Caja Rural de Canarias, Sociedad Cooperativa de Crédito	21/12/2012	27/06/2012
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	25/06/2012	27/06/2012

The Governing Board of Cajas Rurales Unidas, following its formation and in the performance of its functions as the Group's ultimate Administration Body, resolved, as one of its first resolutions, to prepare projections of the business, results and solvency for the timeframe 2013 to 2015, verifying the new Group's performance capacity with no need for public support of the concentration process carried out. These projections, which evidenced that capacity, were sent to the Bank of Spain, which acknowledged their receipt, on 13 March 2013, without objecting to their content.

At 31 December 2012, total Assets, Equity and results of the year coming from the lead Entity represent 90.16%, 87.72% and 101.61% compared to those coming from Grupo Cooperativo Cajas Rurales Unidas (97.42%, 96.99% and 96.21% respectively at 31 December 2011)

The individual balance sheets, the individual income statements, individual statements of recognised revenues and expenses, individual statements of changes in equity and the individual cash flow statements for Cajas Rurales Unidas for the years ended 31 December 2012 and 2011, prepared in accordance with the accounting standards and policies and valuation standards established by Bank of Spain Circular 4/2004 and subsequent amendments published in Bank of Spain Circular 6/2008, are presented below.

a) *Individual balance sheets from Cajas Rurales Unidas Sociedad Cooperativa de Crédito as at 31 December 2012 and 2011:*

	Thousands of euros		
	2012	**2012 (*)**	**2011 (**)**
ASSETS			
Cash and balances with central banks	329,868	329,868	446,757
Financial liabilities held for trading	1,094	1,094	1,135
Other financial assets at fair value through profit or loss	-	-	-
Available-for-sale financial assets	1,005,518	1,005,518	2,252,735
Loans and receivables	32,853,877	32,853,877	25,635,737
Held-to-maturity investments	1,878,430	1,878,430	124,813
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-
Derivados de cobertura	192,382	192,382	161,779
Activos no corrientes en venta	323,530	323,530	200,314
Investments	101,465	101,465	84,818
Associates	*22,857*	*22,857*	*14,698*
Jointly controlled entities	-	-	*16*
Group entities	*78,608*	*78,608*	*70,104*
Insurance contracts linked to pensions	-	-	-
Tangible assets	712,490	712,490	541,783
Property, plants and equipment	*648,636*	*648,636*	*458,382*
Investment properties	*63,854*	*63,854*	*83,401*
Intangible assets	146,823	146,823	36,817
Goodwill	*113,304*	*113,303*	-
Other intangible assets	*33,519*	*33,519*	*36,817*
Tax assets	777,754	777,754	163,501
Current	*12,729*	*12,729*	*12,357*
Deferred	*765,025*	*765,025*	*151,144*
Other assets	533,828	533,828	541,655
TOTAL ASSETS	**38,857,059**	**38,857,059**	**30,191,844**
LIABILITIES AND EQUITY			
Financial liabilities held for trading	68,601	68,601	1,158
Other financial liabilities at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	36,072,968	36,072,968	27,279,339
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	7,453	7,453	14,751
Liabilities associated with non-current assets held for sale	-	-	-
Provisions	142,278	142,278	29,159
Tax liabilities	66,800	66,800	60,612
Current	*19,369*	*19,369*	*15,115*
Deferred	*47,431*	*47,431*	*45,497*
Education and Development Fund	10,799	10,799	5,015
Other liabilities	301,901	301,901	215,525
Capital having the nature of a financial liability	-	-	-
TOTAL LIABILITIES	**36,670,800**	**36,670,800**	**27,605,559**
Own funds	**2,198,065**	**2,198,064**	**2,592,881**
Capital	2,022,567	2,022,567	1,394,087
Issued	*2,022,567*	*2,022,567*	*1,394,087*
Less: Unpaid and uncalled	-	-	-
Share premium	-	-	-
Reserves	1,142,098	144,682	1,197,608
Other equity instruments	-	-	-
Less: Treasury shares	-	-	-
Profit (loss) for the year	(954,374)	43,042	44,435
Less: dividends and remuneration	(12,226)	(12,226)	(43,249)
Valuation adjustments	**(11,806)**	**(11,806)**	**(6,596)**
Available-for-sale financial assets	(11,806)	(11,806)	(6,596)
TOTAL EQUITY	**2,186,259**	**2,186,259**	**2,586,285**
TOTAL LIABILITIES AND EQUITY	**38,857,059**	**38,857,059**	**30,191,844**
MEMORANDUM ITEM			
Contingent exposures	1,266,489	1,266,489	679,003
Contingent commitments	2,003,530	2,003,530	1,790,436
TOTAL MEMORANDUM ACCOUNTS	**3,270,019**	**3,270,019**	**2,469,439**

(*) For information purposes, a breakdown of the corresponding unaudited pro-forma statement of the new Cooperative Group is included for the period 1 November to 31 December 2012.
(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

b) Individual income statements from Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the years ended 31 December 2012 and 2011:

	Thousands of euros		
	2012	**2012 (*)**	**2011 (**)**
Interest and similar income	1,089,626	211,151	976,004
Interest expense and similar charges	(546,270)	(104,063)	(591,925)
Remuneration of capital having the nature of a financial liability	-	-	-
NET INTEREST INCOME	**543,356**	**107,088**	**384,079**
Return on equity instruments	10,228	30	10,500
Fee and commission income	170,772	36,935	128,629
Fee and commission expense	(27,979)	(3,235)	(12,628)
Gains or losses on financial assets and liabilities (net)	81,010	31,759	98,364
Exchange differences	2,035	159	1,473
Other operating income	23,347	9,175	22,496
Other operating expenses	(56,344)	(14,519)	(24,050)
GROSS INCOME	**746,425**	**167,392**	**608,863**
Administrative expenses	(326,759)	(69,386)	(314,871)
Personnel expenses	*(235,390)*	*(48,999)*	*(225,020)*
Other administrative expenses	*(91,369)*	*(20,387)*	*(89,851)*
Depreciation and amortisation	(42,098)	(7,888)	(38,751)
Provisioning expenses (net)	(70,874)	2,785	15,343
Impairment losses on financial assets (net)	(1,310,398)	(26,650)	(149,351)
NET OPERATING INCOME	**(1,003,704)**	**66,253**	**121,233**
Impairment losses on rest of assets (net)	(251,007)	(14,247)	(75,015)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(7,295)	1,489	(4,552)
Negative difference un business combinations	-	-	-
Gains (losses) on non-current assets held for sale not classified as discontinued operations	(36,692)	(2,141)	(7,613)
PROFIT BEFORE TAX	**(1,298,698)**	**51,354**	**34,053**
Income tax	347,748	(4,888)	10,514
Assigned to the Education and Development Fund	(3,424)	(3,424)	(132)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**(954,374)**	**43,042**	**44,435**
Profit or loss discontinued operations (net)	-	-	-
PROFIT OR LOSS FOR THE PERIOD	**(954,374)**	**43,042**	**44,435**

(*) For information purposes, a breakdown of the corresponding unaudited pro-forma statement of the new Cooperative Group is included for the period 1 November to 31 December 2012.
(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

c) Individual statements of revenues and expenses from Cajas Rurales Unidas Sociedad Cooperativa de Crédito recognised for the years ended 31 December 2012 and 2011:

	Thousands of euros		
	2012	**2012 (*)**	**2011 (**)**
A) PROFIT FOR THE PERIOD	**(954,374)**	**43,042**	**44,435**
B) OTHER RECOGNISED INCOME AND EXPENSES	**1,322**	**1,936**	**17,959**
Available-for-sale financial assets	2,133	2,530	23,809
Revaluation gains/losses	61,990	40,032	23,860
Amounts transferred to income statement	(59,857)	(37,502)	(51)
Other reclassifications	-	-	-
Cash flow hedges	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-	-
Other reclassifications	-	-	-
Hedge of net investments in foreign operations	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Other reclassifications	-	-	-
Exchange differences	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Other reclassifications	-	-	-
Non-current assets held for sale	-	-	-
Revaluation gains/losses	-	-	-
Amounts transferred to income statement	-	-	-
Other reclassifications	-	-	-
Actuarial guarantees (losses) in pension plans	-	-	-
Other recognised income and expenses	-	-	-
Income tax	(811)	(593)	(5,850)
TOTAL RECOGNISED INCOME AND EXPENSES (A + B)	**(953,052)**	**44,978**	**62,394**

(*) For information purposes, a breakdown of the corresponding unaudited pro-forma statement of the new Cooperative Group is included for the period 1 November to 31 December 2012.
(**) Grupo Cajamar Caja Rural annual accounts, corresponding to the year ended at 31 December 2011.

d) Individual statements of changes in equity from Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the years ended 31 December 2012 and 2011:

	Thousands of euros									
	Own Funds									
	Capital/Endowment fund	Share premium	Accumulated reserves (losses)	Other Equity instruments	Less: Treasury shares	Profit for the period attributed to parent	Less: Dividend and remuneration	Total Own Funds	Valuation adjustments	Total equity
Closing balance at 31 December 2011	**1,394,087**	**-**	**1,197,608**	**-**	**-**	**44,435**	**(43,249)**	**2,592,881**	**(6,596)**	**2,586,285**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	**-**	**-**	-
Adjustments made to correct errors	-	-	-	-	-	-	-	**-**	**-**	-
Opening balance adjusted	**1,394,087**	**-**	**1,197,608**	**-**	**-**	**44,435**	**(43,249)**	**2,592,881**	**(6,596)**	**2,586,285**
Total income and expenses recognised	-	-	-	-	-	(954,374)	-	**(954,374)**	**1,322**	**(953,053)**
Other changes in equity	**628,480**	**-**	**(55,510)**	**-**	**-**	**(44,435)**	**31,022**	**559,557**	**(6,531)**	**553,026**
Capital/Endowment fund increase	355,637	-	-	-	-	-	-	**355,637**	-	**355,637**
Capital reductions	-	-	-	-	-	-	-	**-**	-	**-**
Conversion of financial liabilities to capital	-	-	-	-	-	-	-	**-**	-	**-**
Increases in other equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Financial liabilities trasferred to other equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Other equity instruments transferred to financial liabilities	-	-	-	-	-	-	-	**-**	-	**-**
Distribution of dividends/Remuneration of members	-	-	(50,258)	-	-	-	(12,226)	**(62,484)**	-	**(62,484)**
Operations with own equity instruments (net)	-	-	-	-	-	-	-	**-**	-	**-**
Reclassifications	-	-	1,186	-	-	(44,435)	43,249	**-**	-	**-**
Increases (reductions) due to risk combinations	272,843	-	4,062	-	-	-	-	**276,905**	(6,531)	**270,373**
Optional transfer to welfare funds	-	-	(10,500)	-	-	-	-	**(10,500)**	-	**(10,500)**
Payments with equity instruments	-	-	-	-	-	-	-	**-**	-	**-**
Other increases (reductions) in equity	-	-	-	-	-	-	-	**-**	-	**-**
Closing balance at 31 December 2012	**2,022,567**	**-**	**1,142,098**	**-**	**-**	**(954,374)**	**(12,226)**	**2,198,065**	**(11,806)**	**2,186,259**

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

e) Individual cash-flow statements from Cajas Rurales Unidas Sociedad Cooperativa de Crédito for the year ended 31 December 2012 and 2011:

	Thousands of euros	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES	**1,512,069**	**411,063**
Profit or loss from the period	**(954,374)**	**44,435**
Adjustments to obtain cash flows on operating activities:	**1,502,103**	**274,094**
Depreciation and amortisation	42,098	38,751
Other adjustments	1,460,005	235,343
Net increase/decrease in operating assets:	**7,472,230**	**1,602,490**
Financial liabilities held for trading	-	-
Other financial assets at fair value through profit or loss	-	(24,513)
Available-for-sale financial assets	(1,223,178)	563,962
Loans and receivables	8,530,539	923,324
Other assets de explotación	164,869	139,717
Net increase/decrease in operating liabilities:	**8,692,261**	**1,692,947**
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	8,563,845	1,648,689
Other financial liabilities	128,416	44,258
Collection/Payments on account on income tax	**(255,691)**	**2,077**
CASH FLOWS FROM INVESTING ACTIVITIES	**(2,336,099)**	**(189,803)**
Payments:	**2,378,880**	**244,298**
Tangible assets	274,977	108,088
Intangible assets	123,705	8,685
Investments	72,397	30,436
Other business units	-	-
Non-current assets and associated liabilities held for sale	154,184	97,089
Held-to-maturity investments	1,753,617	-
Other settlements related to investing activities	-	-
Collections:	**42,781**	**54,495**
Tangible assets	19,817	28,969
Intangible assets	256	118
Investments	-	1,389
Other business units	-	-
Non-current assets and associated liabilities held for sale	22,708	24,019
Held-to-maturity investments	-	-
Other payments relating investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**707,141**	**28,366**
Payments:	**12,226**	**145,649**
Dividends	12,226	43,249
Subordinated liabilities	-	102,400
Redemption of own equity instruments	-	-
Adquisition of own equity instruments	-	-
Other collections relating financial activities	-	-
Collections:	**719,367**	**174,015**
Subordinated liabilities	90,888	-
Issuance of own equity instruments	628,480	174,015
Disposal of own equity instruments	-	-
Other collections relating financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**(116,889)**	**249,626**
CASH OR CASH EQUIVALENTS AT BEGINNING OF PERIOD	**446,757**	**197,131**
CASH OR CASH EQUIVALENTS AT END OF PERIOD	**329,868**	**446,757**

MEMORANDUM ITEM	Thousands of euros	
	2012	**2011**
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF PERIOD		
Cash and banks	223,663	214,528
Cash equivalent balances with central banks	106,205	232,229
Other financial assets	-	-
Less: Bank overdrafts having the nature of a financial liabilitiy	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF PERIOD	**329,868**	**446,757**

1.2. Corporate purpose

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

1.3. Registered office

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

1.4. Legal matters

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

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

- Distribution of at least 20% of the available surplus obtained during the year to the Mandatory Reserve Fund that serves the purpose of consolidating and guaranteeing the 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 Cajas Rurales Unidas pertains to the Credit Cooperative Deposit Guarantee Fund, which provides up to 100 thousand Euros in guarantees for each depositor (Note 3.17).

Article 57.3 of Cajas Rurales Unidas' by-laws, relating to the calculation and application of results, establishes the following distribution of the available surplus: 10% to the Education and Promotion Fund, 75% to the Mandatory Reserve Fund (80% in year 2011) and the remaining 15% as determined by members at a General Assembly (10% in year 2011), based on a proposal from the Governing Body (Note 5).

Grupo Cajas Rurales Unidas is subject to the following general legislation, among other regulations, governing credit institutions:

- RDL 1298/1986 (28 June) on the adaptation of current law governing credit institutions to meet EU legislation (published in the BOE on 30 June).
- Law 26/1988 (29 July) on Credit Institution Discipline and Intervention (published in the BOE on 30 July).
- International Financial Reporting Standards (IFRS) adopted by the European Union.
- Bank of Spain Circular 4/2004 (22 December), and subsequent amendments, regarding Public and Reserved Financial Information, and subsequent amendments in Bank of Spain Circular 6/2008 (26 November), the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.
- Bank of Spain Circular 3/2008 (22 May) and subsequent amendments, regarding the calculation and control of minimum equity resources on a consolidated basis for the credit institutions, as defined by Law 36/2007 (16 November) which amends Law 13/1985 (25 May), on investment ratios, equity and reporting obligations for financial intermediaries. This circular gives rise to the adaptation of Spanish legislation governing credit institutions to EU Directives 2006/48/CE and 2006/49/CE issued by the European Parliament.
- Bank of Spain Circular 2/2012 (29 February), which modifies Circular 4/2004 of Bank of Spain to adapt it to RDL 2/2012.
- Bank of Spain Circular 6/2012 (28 September), which modifies Anejo IX of Circular 4/2004 of Bank of Spain to adapt it to RDL 18/2012.
- Bank of Spain Circular 7/2012 (30 November), related to minimum capital requirements.
- RD 1332/2005 (11 November), which enables Law 5/2005 (22 April) on the supervision of financial conglomerates (Mixed Groups).
- RD 716/2009 (24 April), which enables Law 2/1981 (25 March), which regulates the Mortgage Market. (Note 27).
- RD 2/2012 (3 February) on the strengthening of the financial system.
- RD 18/2012 (11 May) on the strengthening of the financial system and selling of real estate assets of the financial system.
- Law 8/2012 (30 October) on the strengthening of the financial system and selling of real estate assets of the financial system.

Standards and interpretations issued by the International Accounting Standards Board (IASB) that came info force in 2012

In 2012 the following amendments to International Financial Reporting Standards (IFRS), or interpretations of IFRS (IFRIC), came into effect, the adoption of which amendments did not have a significant impact on these consolidated annual accounts:

Norms and modifications	Mandatory application year 2012
IFRS 7(Modification)	Financial Instruments: information to reveal - Transfer of financial instruments
IAS 12 (Modification)	Differed tax: Recuperation of underlying assets

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

At 31 December 2012 the following standards and interpretations that could be applicable to the Group had been published by the IASB and/or IFRS Interpretations Committee but are not yet in force, either because their effective date is after the date of the consolidated financial statements or because they have not yet been approved by the European Union:

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

Norms and modifications		**Mandatory aplication year**
IFRS 9 (1)	Financial instruments	2015
IFRS 9 (Modification) (1)	Entry in force date and transaction breakdown	2013 and 2015
IFRS 10 (1)	Consolidated financial statements	2013
IFRS 11 (1)	Good joint agreement	2013
IFRS 12 (1)	Breakdown of investments in other Entities	2013
IAS 27 (Modification) (1)	Separated financial statements	2014
IAS 28 (Modification) (1)	Investments in associates and joint ventures	2014
IFRS 13 (1)	Fair value valuation	2013
IAS 1 (Modification) (1)	Presentation of financial statements	2013
IAS 19 (Modification) (1)	Retributions to employees	2013
IFRIC 20 (1)	Stripping costs in the production phase of a surface mine	2013
IAS 32 (Modification) y IFRS 7 (Modification) (1)	Compensation of financial assets with financial liabilities	2014 and 2013
IFRS 1 (Modification) (1)	Public Loans	2013
IAS 16 (1)	Tangible Assets	2013
IAS 32 (Modification) (1)	Financial instruments: Presentation	2013
IAS 34 (Modification) (1)	Intermediate financial information	2013
IFRS 10 (Modification), IFRS 11 (Modification) y IFRS 12 (Modification) (1)	Consolidated financial statements, Good joint agreement and breakdown of investments in other entities: Transitory dispositions	2014
IFRS 1 (Modification)	High level of hiperinflation and elimination of fixed dates applicable to first adopters	2013
Improvements in IFRS	Minor modifications in different norms	2013

(1) Standards and interpretations not yet adopted by the European Union at 31 December 2012

1.5. Business Combinations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Thousand of Euros	
PRO-MEMO		
Contingent risks	649,360	673,191
Contingent obligations	1,348,853	275,608
TOTAL OFF-BALANCE SHEET ACCOUNTS	**1,998,213**	**948,799**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) Includes book fair value at 31 December 2011 before the reestimation was made.
(2) Includes aditional identified value corrections.
(3) Includes the effect on equity of the identified value corrections.
(4) Includes fiscal effect of the value correction deductable in the future, which has been registered as a differred asset or liability, and so it is not reflecte don equity.

The fiscal efects of the merger can be seen on Note 24.

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

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

That plan envisaged a merger under which Caja Campo, CajaRural, S. Coop. de Crédito was absorbed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito. Following the obtention of the necessary administrative authorisations, the merger deed was entered in the Mercantile Register of Almería on 27 September 2011. For accounting purposes the operations took effect as from 1 January 2011 (Note 1.1 and 2.5).

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

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

The balances at 1 January 2011 of Caja Campo (*), Caja Rural, S. Coop. de Crédito that were added into Cajas Rurales Unidas financial statements were:

	Thousand of Euros
Assets	
Cash and balances with central banks	9,354
Financial liabilities held for trading	-
Other financial assets at fair value through profit or loss	-
Available-for-sale financial assets	20,387
Loans and receivables	1,106,378
Pro-memo: Borrowed or secured	*139,930*
Held-to-maturity investments	3,071
Changes in the fair valueof the hedge items in portfolio hedges of interest risk	-
Hedging derivatives	121
Non-current assets available for sale	4,280
Investments	-
Insurance contracts linked to pensions	-
Tabgible assets	20,198
Intangible assets	56
Tax assets	13,087
Other assets	1,840
TOTAL ASSETS	**1,178,772**

	Thousand of Euros
Liabilities	
Financial liabilities held for trading	72
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	1,077,004
Changes in the fair value of the hedged items in portfolio hedges of interest rate risk	-
Hedging derivatives	1,637
Liabilities associated with non-current assets held for sale	-
Provisions	2,963
Tax liabilities	3,298
Education and development fund	379
Other liabilities	12,164
Capital having the nature of a financial liability	-
TOTAL LIABILITIES	**1,097,517**
Equity	
Written capital	29,657
Reserves	48,297
Gross Income	2,721
Dividends and retributions	(940)
Valuation adjustments	1,520
TOTAL EQUITY	**81,255**
TOTAL LIABILITIES AND EQUITY	**1,178,772**

	Thousand of Euros
PRO-MEMO	
Contingent risks	98,379
Contingent obligations	72,451
TOTAL OFF-BALANCE SHEET ACCOUNTS	**170,830**

(*) Figures belong to the audited Financial Satements of year 2010.

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

The fiscal effect of this merger can be seen on Note 24.

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

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

The Entities set to receive public assistance have to transfer a significant part of the foreclosed assets, financing and interest in companies devoted to real estate construction and promotion to the Asset Management Company relating to the Bank Restructuring (SAREB).

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

The Group has a wholly-owned company, Cimenta 2, Gestión e Inversiones, S.L., to which foreclosed assets and assets in dation of payment have been transferred in previous years and is in the process of incorporating a public limited company in order to meet the requirements contained in Law 8/2012 within the established timeperiod, in relation to the management of the Group's real estate assets.

Irrespective of the entry into effect of that Law, until 31 December 2012 the carrying value of the assets transferred by the Group entities to Cimenta 2 amounts to € 353,435 thousand. Additionally, the Group's balance sheet at 31 December 2012 includes assets with a carrying value of €1,204,820 thousand which will be transferred to the new public limited company at the time of its incorporation.

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

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

2.1. True and fair view

The consolidated annual accounts have been prepared in accordance with the Entity's accounting records and those kept by each of the companies and credit institutions making up the Cooperative Group and include all adjustments and reclassifications necessary to uniformly present the accounting and presentation criteria, and they are presented in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, such that they reflect a true and fair view of the Group's equity, financial situation and results ; with the Spanish Code of Commerce; with Royal Decree-Law 1/2010 (2 July), whereby the revised Spanish Companies Act 2010 was introduced (LSC), repealing the Spanish Companies Act and the Spanish Limited Liabilities Companies Act; with Royal Decree 6/2010 on measures to encourage economic recovery and employment, with respect to the legal regime applicable to Institutional Protection Systems (SIP); and other applicable Spanish legislation, such that they give a fair view of the Group's equity, financial situation and results at 31 December 2012.

The 2012 consolidated annual accounts prepared by the governing Body will be submitted for the approval of the General Assembly, which is expected to be obtained without any modification being necessary.

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

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

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

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

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

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

The adjustments mentioned above are shown below:

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

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

In 2011 Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito, was included for the first time in the Cooperative Group, following the fair value measurement of its financial statements with an adjustment against reserves of €17,749 thousand (€23,917 thousand without the tax effect). That adjustment was also included in the individual annual accounts of that Entity with the authorisation of the Bank of Spain dated 19 January 2012. Additionally, and apart from the provisional adjustments made in the individual annual accounts in 2011 owing to the inclusion of Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana, in Grupo Cooperativo Cajamar, in 2012, on the basis of the new information obtained by the Group, the fair value of the assets and liabilities of Caja Rural de Castellón – S. Isidro, Sociedad Cooperativa de Crédito Valenciana was restated. A breakdown is set out in Note 1.5 to the Consolidated Annual Accounts.

If 1 January 2012 had been taken as the acquisition date, for both the merger processes referred to in Note 1.5 and the new inclusions of entities in the Group, indicated in this Note, losses for the year would amount to €1,354,389 thousand. With respect to the 2011 year end, results would have amounted to €56,451 thousand. Results for 2012 would be generated by the additional value adjustments for impairment on loans and discounts secured by assets of the real estate and construction sector and real estate assets as described in note 2.6. A breakdown is included in Notes 7.5.c, 10 and 15 to these consolidated annual accounts.

2.2. Going concern principle

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

2.3. Accrual basis of accounting

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

2.4. Offset of balances

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

2.5. Comparability

The Governing Board of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito presents, for comparative purposes, for each of the figures in the present annual accounts, in addition to the figures for 2012, relating to the assets, liabilities and contingent liabilities of the merged entity Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito (Note 1.1 and 3.24) and the entities members of its Group in this year (Note 1.1 and 2.1), those relating to 2011 of the Cajamar Cooperative Group.

Additionally, together with the information for the year ended 31 December 2012, additional unaudited pro-forma information of the Caja Rurales Unidas Group is attached for the two month period from its formation to the year end, on the understanding that such information is significant in order to reflect the commercial and economic reality of the resulting business of the new Cooperative Group.

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

The Group's consolidated annual accounts for 2011 were approved by the General Assembly held on 10 May 2012.

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

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

During the consolidation of these financial entities, the comparison of the cost of the business combination with the entity's net fair value of the assets, liabilities and contingent liabilities gave rise to differences that were taken to reserves (Note 2.1).

Appendix IV details the main headings of the individual balance sheets and income statements of the entities making up the Cooperativo Cajas Rurales Unidas Group at 31 December 2012 and 2011, prepared in accordance with the accounting standards laid down in Bank of Spain Circular 4/2004 and subsequent amendments.

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

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

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

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

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

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

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

2.7. Consolidation principles

These consolidated annual accounts have been prepared using the full, proportional and equity methods of consolidation as stipulated by the aforementioned legislation, including the following companies at 31 December 2012 and 2011:

	2012		2011	
	% shareholding		% shareholding	
Entity	direct	indirect	direct	indirect
Group Entities				
Caja Rural Canarias, S.C.C. (a)	-	-	-	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	-	-	-	-
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito Valenciana (a)	-	-	-	-
Caja Rural de Torrent, S.C.C. (b)	-	-	-	-
Caixa Rural Altea, S.C.C.V. (b)	-	-	-	-
Caixa Rural de Callosa de Sarria, C.C.V. (b)	-	-	-	-
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (b)	-	-	-	-
Credit Valencia Caja Rural, C.C.V. (b)	-	-	-	-
Caja Rural de Alginet, S.C.C.V. (b)	-	-	-	-
Caja Rural de Cheste, S.C.C. (b)	-	-	-	-
Caja Rural de Villar, C.C.V. (b)	-	-	-	-
Caja Rural la Junquera de Chilches, C.C.V. (b)	-	-	-	-
Caja Rural San Isidro de Vilafamés, C.C.V. (b)	-	-	-	-
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (b)	-	-	-	-
Caja Rural San Jose de Burriana, C.C.V. (b)	-	-	-	-
Caja Rural San José de Nules, S.C.C.V. (b)	-	-	-	-
Caja Rural San Roque de Almenara, S.C.C.V. (b)	-	-	-	-
Caja Rural Castellón-San Isidro, S.C.C.V. (c)	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C.C.V.	-	-	-	-
Caja Rural de Casinos, S.C.C.	-	-	-	-
Caixa Rural Albalat dels Sorells, C.C.V.	-	-	-	-
Caixa Rural de Turís, C.C.V.	-	-	-	-
Alquileres Alameda 34, S.L. (b)	8.33%	-	-	-
Cajamar Gestión, S.A.U.	100.00%	-	100.00%	-
Cajamar Inter. Op. Banca Seg. Vinculado, S.L.U.	100.00%	-	100.00%	-
Cajamar Renting, S.L.U. (f)	-	-	100.00%	-
Cimenta2 Gestión e Inversiones, S.L.U.	100.00%	-	100.00%	-
Eurovía Informática, A.I.E.	95.00%	5.00%	95.00%	5.00%
Eurovía Tecnología S.L.U.	-	100.00%	-	100.00%
Gestión de Iniciativas Empresariales y Sociales del Mediterráneo, S.L.U. (GIESMED) (b)	100.00%	-	-	-
Giesmed Parking, S.L.U. (b) (d)	-	100.00%	-	-
Grupo Hispatec Informática Empresarial, S.A.U.	100.00%	-	100.00%	-
Hotel Envía Golf, S.L.U. (g)	-	100.00%	-	100.00%
Inmuebles Alameda 34, S.L. (b)	4.62%	-	-	-
Parque Industrial Accesosur, S.L. (h) (j)	70.00%	-	-	-
Sunaria Capital, S.L.U.	100.00%	-	100.00%	-
Talia Formación S.L.U.	-	100.00%	-	100.00%
Tarket Gestión, A.I.E.	94.00%	6.00%	94.00%	6.00%
Sumando Recursos, S.L.U. (b) (e)	-	100.00%	-	-
Jointly controlled entities				
Safei Rural Málaga, S.A.	50.00%	-	50.00%	-
Associates				
Acuariums de Almería, S.L.	-	25.00%	-	25.00%
Agrocolor, S.L.	32.37%	-	32.37%	-
Apartamentos Media Luna, S.A. (g)	-	50.00%	-	50.00%
Balsa de Insa, S.L.(i)	-	24.50%	-	-
Banco Inversis, S.A. (j)	9.04%	-	-	-
Biocolor, S.L.	-	22.19%	-	22.19%
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros	50.00%	-	50.00%	-
Cajamar Vida, S.A. de Seguros y Reaseguros	50.00%	-	50.00%	-
Cultipeix S.L.	-	21.28%	-	21.28%
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%
Parque Científicio-Tecnológico de Almería, S.A.	30.05%	-	30.05%	-
Proyecta Ingenio, S.L.	-	24.90%	-	24.90%
Sabinal Agroservicios, S.L.	50.00%	-	50.00%	-
Savia Biotech, S.A.	19.23%	-	19.23%	-
Tino Stone Group, S.A.	24.96%	-	24.96%	-

(a) entities integrated in Grupo Cooperativo during the year 2012
(b) s entities integrated in Grupo Cooperativo consecuencia de la fusión con Caja Rural del Mediterráneo, Ruralcaja, S.C.C.
(c) entity absorbed during 2012
(d) direct participation through GIESMED.
(e) indirect partiipation through Credit Valencia Caja Rural, C.C.V.
(f) merger by absortion of Cajamar Renting, S.L.U (absorbed) and by Sunaria Capital, S.L.U. (absorbent).
(g) indirect participation through entity Cimenta2 Gestión and Inversiones, S.L.U.
(h) entity integrated in the portfolio during 2012 as a consecuence of the merger withCaja Rural Castellón-San Isidro, S.C.C.V.
(i)indirect partiipation through Caja Rural Vila-Real, S.C.C.
(j) sold entity from de portfolio available for sale to permanent portfolio in 2012.

Changes in shareholdings in 2012 that affect the scope of consolidation are as follows:

Acquisitions or increase of participation in depending entities, joint ventures or associates at 31 December 2012

Denomination of the Entity (or branch of activity) acquired or merged	Category	Effective date	Net cost of the combination (a)+ (b) (Thousands of euros)		% of votes acquired	% of total vote rights in the Entity after the acquisition
			Amount (net) paid in the acquisition + other costs directly attributable (a)	Fair value of quity instruments emitted for the acquisition of the Entity (b)		
Caja Rural Canarias, S.C.C.	Dependent	16/01/2012	-	-	-	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	Dependent	16/10/2012	-	-	-	-
Caixa Rural Vila-Real, S.C.C.	Dependent	16/10/2012	-	-	-	-
Caja Rural de Torrent, S.C.C.	Dependent	16/10/2012	-	-	-	-
Caixa Rural Altea, S.C.C.V.	Dependent	16/10/2012	-	-	-	-
Caixa Rural de Callosa de Sarria, C.C.V.	Dependent	16/10/2012	-	-	-	-
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	Dependent	16/10/2012	-	-	-	-
Credit Valencia Caja Rural, C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural de Alginet, S.C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural de Cheste, S.C.C.	Dependent	16/10/2012	-	-	-	-
Caja Rural de Villar, C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural la Junquera de Chilches, C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural San Isidro de Vilafamés, C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural San Jose de Burriana, C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural San José de Nules, S.C.C.V.	Dependent	16/10/2012	-	-	-	-
Caja Rural San Roque de Almenara, S.C.C.V.	Dependent	16/10/2012	-	-	-	-
Alquileres Alameda 34, S.L. (1)	Dependent	16/10/2012	-	-	8.33%	8.33%
Inmuebles Alameda 34, S.L. (1)	Dependent	16/10/2012	-	-	4.62%	4.62%
Gestión de Iniciativas Empresariales y Sociales del Mediterráneo, S.L. (GIESMED) (1)	Dependent	16/10/2012	-	-	100.00%	100.00%
Giesmed Parking, S.L.U. (2)	Dependent	16/10/2012	-	-	100.00%	100.00%
Sumando Recursos, S.L.U. (2)	Dependent	16/10/2012	-	-	100.00%	100.00%
Banco Inversis, S.A. (3)	Assosiate	31/03/2012	-	-	9.04%	9.04%
Inversiones Turisticas y Hoteleras Inmo, S.L. (4)	Assosiate	22/03/2012	-	-	19.97%	20.00%
Parque Industrial Accesosur, S.L. (3) (5)	Dependent	06/09/2012	-	-	70.00%	70.00%
Balsa de Insa, S.L. (6)	Assosiate	16/10/212	-	-	24.50%	24.50%

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

Denomination of the Entity (or branch of activity) acquired or merged	Category	Effective date	% of disposed righting votes or eliminated	% of total vote rights in the Entity after disposal	Profit/(Loss) generated (Thousands of euros)
Caja Rural Castellón-San Isidro, S.C.C.V. (7)	Dependent	06/09/2012	-	-	-
Cajamar Renting, S.L.U. (8)	Dependent	19/12/2012	100.00%	-	-
Inversiones Turisticas y Hoteleras Inmo, S.L. (9)	Assosiate	13/01/2013	19.68%	0.03%	-
Inversiones Turisticas y Hoteleras Inmo, S.L. (10)	Assosiate	10/10/2012	0.29%	19.71%	-

(1) Direct increase in participation derived from the merger by abpsortion of Caja Rural del Mediterráneo, Ruralcaja, S.C.C.
(2)indirect increase in participation derived from the merger with Caja Rural del Mediterráneo, Ruralcaja, S.C.C.
(3) Direct increase in participation derived from transffer of available for sale portfolio to permanent portfolio.
(4) Direct increase in participation derived from cpaital reduction (own portfolio).
(5) Direct increase in participation derived from the merger by abpsortion of Caja Rural Castellón-San Isidro, S.C.C.V.(absorbed entity).
(6) indirect increase in participation derived from the integration in the Group of Caixa Rural Vila-Real, S.C.C.
(7) Decrease in participation due to the merger by absortion.
(8) Decrease in participation due to the merger by absortion of Sunaria Capital, S.L.U.
(9) Decrease in participation due to the partial sell of participations to the entity (own portfolio)
(10) Decrease in participation due to the dilusion in the capital increase.

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

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

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

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

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

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

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

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

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

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

<u>Subsidiaries</u>

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

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

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

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

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

Multi-group companies

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

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

Associates

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

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

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

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

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

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

2.8. Other general principles and environmental information

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

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

2.9. Agency contracts

In accordance with the provisions of Article 22 of Royal Decree 1245/1995 (14 July), Appendix III lists the financial agents with which the Cooperative Group operates in 2012 and 2011.

3. Accounting policies and criteria applied

3.1. Financial instruments

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

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

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

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

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

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

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

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

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

a) Financial assets

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

<u>Classification of financial assets</u>

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

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

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

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

Measurement of financial assets

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

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

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

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

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

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

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

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

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

Write-off of financial assets from the consolidated balance sheet

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

Impairment losses on financial assets

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

- **Impairment losses on debt instruments**

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

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

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

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

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

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

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

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

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

- **Impairment losses on equity instruments**

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

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

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

b) Financial liabilities

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

<u>Classification of financial liabilities</u>

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

- "Financial liabilities at fair value through changes in profit or loss". This financial liability portfolio is further subdivided into two parts:

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

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

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

Measurement of financial liabilities

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

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

- The financial liabilities arising from the transfer of assets that do not comply with the conditions to eliminate the asset from the balance sheet of the assigning entity, since the assigning entity maintains control over the financial assets and the risks and benefits are not substantially transferred or retained.

- Financial liabilities designated as hedges, or as accounting hedge instruments that meet the criteria and standards established under Notes 3.4.

Write-off of financial liabilities from the consolidated balance sheet

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

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

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

c) Gains and losses in the value of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Reclassification among financial instrument portfolios

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

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

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

   In 2012 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 2012 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 2012 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 2012 no reclassification of financial assets included in the trading portfolio took place.

3.2. Contributions to the share capital

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

The parent's bylaws and those of the credit institutions making up the Cooperative Group are consistent with the recommendations of Spanish and international watchdogs concerning solvency and share capital such that the reimbursement of share capital contributions requires in all cases the prior and favourable resolution of the Governing Board (Note 19).

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

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

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

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

3.3. Credit risk hedges and calculation method

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

- **Insolvency risk attributed to the customer**

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

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

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

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

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

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

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

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

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

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

- **Country risk**

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

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

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

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

3.4. Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Market: certain structured liabilities whose compensation is associated with the evolution of indexes.

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

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

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

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

- When all the contractual rights to receive the cash flows it generates are transmitted, or even when retaining this rights, the contractual obligation exists of being paid to the buyers

- When even no existing transmission or substantial retention of the risks and benefits, but the control of the financial assets is transmitted preview evaluation regarding the following.

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

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

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

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

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

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

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

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

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

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

3.6. Financial guarantees

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

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

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

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

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

3.7. Non-current assets held for sale

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

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

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

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

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

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

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

3.8. Property, plant and equipment

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

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

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

<u>Computer software acquired</u>

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.

At 31 December 2012 the Group recognises intangible assets with an indefinite useful life, i.e. goodwill on business combinations resulting from the merger process carried out in 2012 with Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito (Notes 1.5 and 13). At 31 December 2011 there were no intangible assets with an indefinite useful life recognised on the Group's consolidated balance sheet.

3.10. Leases

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

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

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

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

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

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

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

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

3.11. Foreign currency transactions

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

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

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

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

At the end of 2012, the overall amount of assets expressed in foreign currency by the Group totals 51,326 thousand Euros (46,031 thousand Euros in 2011) and the overall amount of the liabilities items expressed in foreign currency 45,529 thousand Euros (43,881 thousand Euros in 2011) (Note 6.3).

3.12. Other provisions and contingent liabilities

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

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

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

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

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

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

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

At the 2012 and 2011 year-end, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. The Entity's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they finalise.

3.13. Promotion and Education Fund

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

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

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

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

The creation of the Cooperative Group does not limit the operation and management of Education and Development Fund to the Governing Body of the lead entity, but this responsability falls to the Govering Body of each entity forming part of the Group.

3.14. Asset Swaps

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

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

3.15. Minimum capital requirement

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

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

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

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

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

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

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

At 31 December 2012 and 2011, the Cooperative Group and the Mixed Group's computable equity exceeded the amount required by those regulations (Note 20).

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

3.16. Commissions

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

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

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

3.17. Deposit Guarantee Fund

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

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

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

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

Finally, on 4 July 2011 Circular 3/2011 (30 June) came into effect, for member entities of the Deposit Guarantee Fund, on additional contributions to the Fund. The Circular imposes the obligation to make additional quarterly contributions in the case of member entities that arrange term deposits or settle demand accounts at interest rates exceeding certain levels, depending on the deposit term or its demand deposit nature. This contribution is calculated by assigning a 500% weighting to deposits arranged or settled at rates that exceed the stipulated rates, in the calculation base used to determine the ordinary contributions. They were amended through the publication of Royal Decree Law 24/2012.

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

In 2012 and 2011, expenditure incurred in respect of (ordinary and additional) contributions by Group entities to the Fund totaled € 44,601 thousand and € 18,678 thousand, respectively, and is recognized in the item "Other operating expenses - Contribution to the Deposit Guarantee Fund" in the accompanying consolidated income statement (Note 25). The expense incurred in 2012 and 2011 includes the additional contribution of € 8,566 and € 5,610 thousand to the Fund, repectively.

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 2012 and 2011 was the reduced 25% rate for cooperative profits and the general 30% rate for non-cooperative profits (Note 24).

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

3.19. Recognition of revenue and expense

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

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

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

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

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

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

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

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

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

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

3.20. Staff costs and post-employment remuneration

Short-term compensation

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

Post-employment remuneration

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

- Defined contribution plan

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

- Defined benefit plan

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

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

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

- They cannot return to the Entity except when the assets remaining in the plan are sufficient to cover all commitments to employees to reimburse the Entity for benefits it pays.

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

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

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

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

- Current service costs, i.e. the increase in the present value of the defined benefit obligations arising from the services provided by employees in the current year, are recognised in “Personnel expenses".

- Interest costs, i.e. the increase during the period in the present value of the defined benefit obligations that accrue during the year due to the passage of time, are recognised in "Interest and similar charges".

- The expected yield from any asset in the plan, as well as any right to a refund, which is understood to be the interest, dividends and other income, together with the gains and losses on these assets, even if not realised, less any administration cost for the plan and applicable taxes, as "Interest or similar yields".

- Actuarial losses and gains, understood to be those that derive from differences between past actuarial assumptions and reality, and those that derive from changes in the actuarial assumptions used, recognised during the year as "Allocations to provisions (net)", except when the Entity chooses to recognise them under equity.

- The cost of past services relating to the year is recognised under "Allocations to provisions (net)".

- The effect of any reduction or liquidation of the plan as "Allocations to provisions (net)".

- The effect, if any, of the application of the limitation concerning the asset to be included in the balance referred to in the preceding section, except when the Group chooses to recognise the actuarial gains and losses under Equity.

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

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

Other long-term remuneration for the benefit of employees

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

Severance benefits

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

Pension commitments entered into by the Group

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

Of the Group entities, there are seven 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, and by the employees of Caja Rural del Mediterraneo, Sociedad Cooperativa de Crédito and Caja Rural de Castellón, Sociedad Cooperativa de Crédito Valenciana, all together with Caixa Rural Albalat dels Sorells, Cooperativa de Crédit Valencia, Caixa Rural Altea, Cooperativa de Crédit Valencia, Caixa Rural de Torrent, Cooperativa de Crédit Valenciana and Caja Rural de Canarias, Sociedad Cooperativa de Crédito en RGA, Fondo de Pensiones, being Rural Pensiones, Entidad Gestora de Planes y Fondos de Pensiones the managing entity and Banco Cooperativo Español the holder of the fund.

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

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

As part of its defined contribution commitments, the Group has assumed with Cajamar personnel that have been employed for more than two years or under an indefinite employment contract and not included in the defined benefit retirement pension supplement included in Subplan B of Pension Plan, an annual contribution consisting of 37.5% of the total ordinary payroll salary amount in November, with a minimum of 100% of the monthly base salary amount. With employees of Caixa Rural Albalat with at least two years of employment at the company and which have voluntarily joined the pension plan, there is an obligation to make annual contributions to all participants totalling up to 3% of the entity's net profits, subject to compliance with certain conditions. For the personnel of Caja Rural de Canarias there is a monthly contribution for a fixed amount resulting from dividing proportionally a total amount between the workforce. For the personnel of Caixa Rural Altea, Cooperativa de Crédit Valencia and Caixa Rural de Torrent, Cooperativa de Crédit Valenciana there is a monthly contribution based on category.

The defined benefit commitments taken into consideration are:

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

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

- Death and absolute disability indemnities (22.75 thousand Euros), occupational accident (45.5 thousand Euros) or severe disability (75.71 thousand Euros) for all employees of Cajamar, and accident coverage in accordance with the collective wage agreement for 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 2012 and 2011 the Group does not record any severance commitments other than those indicated in the Plan.

On 31 December 2012 and 2011, actuarial studies have been carried out relating to the coverage of the main post-employment compensation, using the projected credit unit calculation method. The main assumptions used in the actuarial studies, both for retired and early-retired personnel are presented in detail below for each credit institution:

Actuarial assumptions adopted for Grupo Cooperativo Cajas Rurales Unidas

	2012		2011	
	Assets	**Early Retirement**	**Assets**	**Early Retirement**
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only for risk benefit)	Not applicable	Not applicable	Not applicable	Not applicable
Retirement age				
Pension plan	Earliest age	58 +	65 +	58 +
Collective Labour Agreement for banks	Earliest age	58 +	Earliest age	58 +
Annual effective technical interest rate				
Pension plan	4.00%	3.50%	4.00%	4.00%
Collective Labour Agreement for banks	4.00%	3.50%	4.00%	4.00%
Yield on assets				
Pension plan	4.00%	-	4.00%	4.00%
Collective Labour Agreement for banks	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)	35.3	35.3	34.9	34.9
Annual revaluation of the maximum monthly Social Security pension	1.50%	-	2.00%	-
Annual increase in the Social Security contribution bases	According to CPI	-	According to CPI	-

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

	Expected return on assets	
	2012	**2011**
Pension Plan	4.00%	4.00%
Banks	4.00%	4.00%
Early retirement	3.50%	4.00%

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

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

3.21. Off-balance sheet customer deposits

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

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

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

3.22. Consolidated cash-flow statement

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

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

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

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

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

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

3.23. Business combinations

In accordance with the provisions of Norm 43 of Circular 4/2004 of the Bank of Spain (December 22), a business combination is the union of two or more entities or independent financial units within a single company or group of companies that may result as the result of an acquisition:

- Of equity instruments in another company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.24. Inventories

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

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

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

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

Decreases in and, if applicable, subsequent recoveries of the net realisable value, below their carrying amount, are recognised in the consolidated income statement in the year they are incurred, in the caption "Impairment losses (net) – Other assets" (Note 14).

3.25. Insurance Policies

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

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

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

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

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

3.26. Statement of changes in equity

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

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

Statement of income and expenses recognised

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

Statement of total changes in equity

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

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

- Income and expenses recognised during the period: include the aggregate total of all the above-mentioned items recognised in the Consolidated Statement of Recognised Income and Expense.

- Other changes in equity: include the rest of the items recognised in equity, such as capital increases or reductions, distributed results, operations with own equity instruments, transfers between equity items and any other increase or decrease in the Group's consolidated equity

3.27. Fair value of financial instruments

As is indicated in Note 2.1 of these annual accounts, the group’s entities, after receiving the authorization issued by the Bank Spain and 29 December 2010 and as a result of the Integration Contract that creates a financial group configured as a SIP, the entities have recorded in their individual financial statements, at 31 December 2012, 31 December 2011 and 31 December 2010, certain assets at their fair value.

Fair value of financial assets

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

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

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

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

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

Fair value of financial liabilities

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

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

Measurement of financial instruments at fair value:

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

The following tables present the fair value of the Cooperative Group's financial instruments at 31 December 2012 and 31 December 2011, broken down by class of financial assets and liabilities and the following levels:

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

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

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

The table of consolidated financial assets and liabilities at fair value at 31 December 2012 is as follows:

	Thousands of euros				
			Fair Value Hierarchy		
	Total Balance	Fair Value	Level 1	Level 2	Level 3
Cash and balances with central banks	366,434	346,487	2,830	-	343,657
Financial liabilities held for trading	2,949	2,949	671	2,279	-
Other financial assets designated at fair value with changes in P&L	1,070	1,070	67	-	1,003
Available-for-sale financial assets	1,363,057	1,363,057	852,876	398,506	106,458
Loans and receivables	35,762,724	35,581,222	-	-	35,581,222
Held-to-maturity investments	1,971,969	1,946,935	1,768,164	178,771	-
Hedging derivatives	192,657	192,657	238	192,419	-
TOTAL ASSETS	**39,660,861**	**39,434,379**	**2,624,845**	**771,975**	**36,032,341**

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

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

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

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

3.28 Mutualisation of results

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

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

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

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

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

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

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

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

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

4. Errors and changes in accounting estimates

In 2012 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 2012 and 31 December 2011 concerning the facts analysed. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, which would be made prospectively if necessary, in accordance with IAS 8 and Standard 19 of Bank of Spain Circular 4/2004 (22 December) and subsequent amendments, to recognise the impact of the change in the estimate on the income statement for the years in question.

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

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

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

There have been no accounting changes that significantly affect the comparability of the annual accounts for 2012 and 2011.

5. Distribution of results

The proposal for distributing the Lead Entity's profits in 2012 that the Governing Body will submit for the approval of the General Assembly, together with that for 2011, is as follows:

	Thousands of euros	
	2012	**2011**
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax	**(950,950)**	**44,567**
Profit from Cajamar Caja Rural, Sociedad Cooperativa de Crédito, applied for disolution	**(997,416)**	**-**
Profit for the year prior attribution to the Parent before the mandatory transfer to the Education and Development Fund and after Income Tax from Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	**46,466**	**-**
Interest on capital contributions (Note 18)	(12,226)	(43,249)
Total distributable or available surplus (Note 1.4.)	**34,240**	**1,318**
To mandatory reserve fund	25,680	1,054
To voluntary reserve fund	5,136	132
To Education and Development Fund - mandatory transfer (Notes 3.14 y 20)	3,424	132
Total distributed	**34,240**	**1,318**

The proposal for 2011 and the subsequent distribution was approved by the General Assembly on 10 May 2012.

6. Risk management

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

This section is intended to describe the various financial risks faced by the Entity and, as a result, by the Group, deriving from its banking activity as well as the objectives and policies relating to risk management, assumption, measurement and control, including the strategies and processes, the structure and organisation of the relevant risk management unit and hedging policies, broken down for each of the main types of financial instruments or planned transactions for which accounting hedges are used. The new Entities included in the Cooperative Group (Note 1.1) maintained, before entering into the group, risk management objectives and policies that do not differ significantly from those applied by Cajamar, the unification and definitive implementation of common policies, according to the provisions of the contractual agreement (Note 1.1), is being carried out gradually with the computer integration of the participating Entities except for Caja Rural de Canarias, Sociedad Cooperativa de Crédito, Caja Rural Sant Vicente Ferrer de la Vall D´uixo, Cooperativa de Crédito Valenciana and Caja Rural Católico Agraria, Sociedad de Crédito Valenciana (Vila Real), which is planned for the first semester 2013.

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

6.1. Corporate risk culture: general risk management principles

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

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

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

6.2. Credit risk and credit concentration risk

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

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

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

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

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

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

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

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

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

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

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

  In order to guarantee fulfillment of this principle, the Governing Board has defined the limits of the regulation competencies contained in the Credit Risk Guide, reserving:

  - for the Governing Board and it Executive Comission the establishment of criteria, policies and bodies responsible for credit risk management and control,

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

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

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

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

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

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

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

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

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

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

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

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

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

  Accordingly, the Lead Entity Group's Governing Board delegates:

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

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

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

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

- **Regarding the risk acceptance policy:**
  - Diversification. The Group's credit portfolio must be suitably diversified and show the lower possible degree of correlation with overall non-compliance.
  - Credit quality. Criteria for approving operations must depend basically on the borrower's capacity to fulfil financial obligations in due time and form, based on revenue from a business or habitual source of income. Nonetheless, personal or real property guarantees must be sought to secure recovery as a secondary course of action, when the primary procedure has failed.
  - Operational security. Loans must be arranged through a secure procedure which guarantees that agreements concluded have full legal effect and faithfully reflect the applicable terms and conditions.
  - Yields. Loans must have yields that match the inherent risk.
- **Regarding the loan loss oversight and prevention policy:**
  - Relative importance. Actions to prevent loan losses must be graduated on the basis of the harm that could be caused to the Group's results by default, seeking a reasonable balance between the cost and benefits of the control procedure. In order to achieve this objective, criteria must be defined to control all borrowers representing significant exposures, for which oversight and control actions must be intensified.
  - Anticipation. Actions to prevent loan losses must be implemented sufficiently in advance in order to assess and optimise management of loan recovery options. This entails defining a borrower rating system that defines the risk policy to be implemented when certain alerts are notified.
- **Regarding the past due loan collection policy:**
  - Resolute management. A default situation must be managed in a resolute manner so as to regularise the loan, propose a restructuring of the debt or initiate a claim in or out of court as soon as possible.
  - Economic effectiveness. A court claim for debts is not always the best recovery route. On occasions it is preferable to accept payment proposals comprising the dation of assets or reductions and/or deferrals; in other cases, the amount owed or the debtor's limited solvency make other forms of collection management more advisable.
- **Regarding the policy for appraising and restating real property guarantees:**
  - Objective valuation. As price formation in property markets is clearly imperfect, guarantees based on such assets must be valued as objectively as possible, since this determines the correct and rational management of the secured credit risk.

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

b) Parameters defining the credit policy

b.1) Credit risk concentration limits

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

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

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

Segment/ Portfolio/ Sub-Portfolio

1. Retail	**80%**	**2. Corporate:**	**40%**
1.1. Home	**60%**	**2.1. Developers:**	**15%**
Normal	60%	Developer	15%
Other users	12%	Land	3%
1.2. Other financing for families	**10%**	Other developers	3%
Micro-consumption	3%	**2.2. Corporate agri-food**	**15%**
Automobiles	5%	**2.3. SMEs:**	**15%**
Other goods and services	10%	Small	10%
1.3. Automatically renewable:	**5%**	Medium	10%
Credit cards	5%	**2.4. Large businesses:**	**10%**
Overdrafts	1%		
1.4. Small businesses:	**20%**	**3. Public administrations:**	**15%**
Business activity of individuals	15%		
Micro-businesses	15%	**4. Non-profit organisations:**	**5%**
1.5. Agri-food retail:	**20%**		
Horticulture under plastic	15%	**5. Financial intermediaries:**	**5%**
Other agri-food sector	15%		

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

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

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

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

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

  - Companies controlled by the Cajamar Group
    - Limit on risk accumulated with each company: 5%
    - Limit on sum of risks of all companies: 10%
  - Companies not controlled by the Cajamar Group
    - Limit on risk accumulated with each company: 5%
    - Limit on sum of risks of all companies: 50%

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

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

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

    - Executive Committee
    - Investment Committee
    - Territorial Risk Committees
    - Business Committees (two levels)
    - Offices (five different categories)

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

    - Assets and Liabilities Committee, for financial market operations.
    - Employee Financing Committee, for operations requested by employees under Collective Agreements and arrangements with personnel.
    - Microcredit Committee, for operations relating to microcredit facilities arranged.

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

  - Credit quality modules:

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

    - When the report indicates "grant", powers held by Offices to approve lending operations are increased by one level.
    - When the report indicates "doubtful", powers to approve loans held by bodies represented only by the sales network are reduced by one level.
    - Bodies represented only by the sales network may not grant loans where the report indicates "refuse within limit".
    - New financing for which the report indicates "refuse outside limit" is subject to a special authorisation process that may only be completed by a body forming part of the Entity's General Management.

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

    - Where the operation affects a customer or group with doubtful or past due positions, the decision will be submitted to the next highest body and cannot in any event by resolved by bodies represented only by the sales network.
    - Bodies represented only by the sales network may not approve operations with the following customers:
      - Classified as subject to special monitoring.
      - Classified as restructured customers.

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

- Included in default files as RBT or ASNEFF for significant non-payments or with refunds of trade discounts of more than 10% of the volume discounted.

- Belonging to the promotor segment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Guarantee assurance policy

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

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

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

Internal authorization of valuation companies.

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

In order to be authorised, a valuation company must fulfil the following requirements:

- Be entered in the Bank of Spain's Register of Valuation Companies.
- Be independent from the Cajamar Group, which entails:
  - Not being a related party under Rule 61 of Bank of Spain Circular 4/2004.
  - The Cajamar Group must not contribute more than 25% of the company's turnover.
- Having human and technical resources to perform the work, as well as appropriate, recent experience.
- Have internal procedures to assure independence and detect conflicts of interest.
- Have an internal control department that reviews the valuer's work.

Valuation of properties for new risk acceptance

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

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

- The appraised value, which must fulfil the following requirements:

  - Issued by a valuation company authorised by the Cajamar Group.
  - Issued less than three months earlier.
  - Prepared for mortgage market purposes and in accordance with the ECO Order.
  - No determining factors.

Restatement of the value of properties securing loans

- Time-related criteria.

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

- Restated values.

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

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

b.3) Rules for measuring customer payment capacity

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

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

- Elimination of payment facilities included in products for commercial differentiation purposes.For loans covered by scoring or rating models, this evaluation is provided by the model itself, through one of the following two systems:

  - Including one or more payment capacity variables in the algorithm that estimates the probability of default.
  - Calculating a specific payment capacity report which, combined with the socio-economic profile report, forms the final report on the operation.

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

b.4) Policy for loan terms, grade periods and settlement periods; general criteria

- Loan term:

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

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

- Settlement periods:

  Principal and interest must be settled on a monthly basis.

- Grace period:

  Interest payment grace periods are not permitted.

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

  - Bridge financing, for a maximum one-year period.
  - Project financing, where a principal repayment grace period to the project completion and start-up date may be agreed.

b.6) Restructuring policy

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

- It will be necessary to appreciate that the customer clearly has the will to pay.
- The customer should have been a customer for at least two years and have a payment record of no delays for at least one year before he starts having difficulties in settling his obligations or alternatively, he has settled at least 20%of the risk granted or evidences his intention to pay.
- In general, payment of interest accrued to the restructuring date must be demanded.
- Where interest cannot be repaid and must be fully or partially included in the restructured principal, it is essential to obtain real property or personal guarantees subject to the guarantee acceptance policy.
- An increase in exposure for reasons on any other groups will only be justified if a clear and substantial improvement in the Entity's risk position is achieved, such as when the increase permits the completion of the project financed and, therefore, the start of return flows, or when the increase is used to settle prior charges that would complicate recovery through the enforcement of guarantees.

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

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

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

c.1) Credit risk acceptance phase:

- **Bodies involved**

  - Bodies empowered to grant loans:

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

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

  - Credit risk acceptance area:

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

- **Organisation**

  The area's work is divided into three offices:

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

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

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

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

- **Acceptance phase management tools:**

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

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

    - **Retail segment**

      - General reactive scoring of private individuals.
      - Reactive scoring of new residents.
      - Reactive scoring of small businesses.

- Proactive scoring of natural persons.
- Proactive scoring of microenterprises.
- Scoring of intensive horticulture activities.

○ **Corporate segment**

- SME ratings.
- Large company ratings.

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

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

The portfolios to which credit granting models fully integrated into management processes are applied account for 81.5% of the Entity's total credit risk, and all retail and corporate segment portfolios are evaluated, representing 51.7% of exposure.

- Electronic case file: Risk case file management application.
- Powers circuit: Loan approval tool.
- Management centres: Manages the circuits through which a case file must travel.

○ **Acceptance controls:**

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

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

○ **Bodies involved**

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

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

- Risk measurement methodology staff

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

- Credit risk control area

Comprises the following units:

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

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

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

- Market risk control:

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

- **Monitoring, measurement and control tools:**

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

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

  - Proactive scoring of natural persons
  - Proactive scoring of microenterprises
  - Follow-up scoring of intensive horticulture activities
  - SME ratings

- Operation monitoring models: Although they are used mainly to efficiently calculate regulatory capital, these models are also useful when monitoring portfolios. Frontier values are determined to categorise the risk of each operation as low, medium, high and very high. Set out below are a list of models in place, applicable to 77.6% of total credit exposure:

  - Behavioural scoring of natural persons.
  - Behavioural scoring of microenterprises.
  - Follow-up scoring of operations with intensive horticulture activities
  - Follow-up rating of SME operations
  - Follow-up rating of large companies operations

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

- Risk Datamart: A Risk Datamart is being implemented to achieve three major objectives:
  - Systematise and improve management reporting and the underlying data model;
  - Provide an adequate storage system for risk management parameters; and
  - Allow the calculation of regulatory capital for advanced approaches.
- SGT: Application used to channel counterparty risk control.

- **Monitoring controls:**

Since November 2007 information of the different credit rating models has been included in order to assign a credit policy to the customers assessed.

The following credit policy options are defined:

Favourable: Customers showing good credit quality.

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

Restrictive: Customers showing clear signs of impaired credit quality.

At present, the follow-up models classify customers accounting for 97.2% of exposure under retail and for 46.9% of exposure under corporate.

- Operation rating using operation monitoring models.

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

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

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

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

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

- Rating of Significant Exposure borrowers.

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

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

  A daily check is performed of compliance with the credit risk limits assigned to each counterparty; counterparty credit quality is also monitored in case line updates are required.Calificación de operaciones a través de modelos de seguimiento de operaciones.

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

- Control over restructured loans

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

c.3) Impaired asset recovery phase:

- **Bodies involved**

  The recovery phase is performed mainly by two functional units:

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

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

- **Recovery management tools:**

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

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

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

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

  - Management of past due loans in foreign lending operations.

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

  - Information on past due risks.

- **Recovery controls:**

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

d) Total exposure to credit risk

The following table shows the Group's total credit risk net of valuation adjustments at the end of 2012 and 2011.

	Miles de euros	
	2012	2011
Loans and advances to other debtors	34,257,233	25,384,493
Credit institutions	1,505,492	548,146
Debt securities	3,198,338	2,327,559
Hedging securities	192,657	161,810
Contingent exposures	1,463,308	733,595
Total Risk	**40,617,028**	**29,155,603**
Credit available to third parties (Note 27)	1,627,986	1,634,002
Maximum exposure	**42,245,014**	**30,789,605**

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

The composition of risk, based on the total amount per customer recorded in the account "Customer loans" under the heading "Loan investments" in 2012 and 2011 is as follows:

	Thousands of euros					
	2012			2011		
Thousands of euros	Risk	Distribution (%)	Of which: Non-performing assets	Risk	Distribution (%)	Of which: Non-performing assets
Greater than 6.000	5,221,371	14.18%	1,094,315	3,647,239	14.07%	346,466
Between 3.000 y 6.000	1,537,728	4.18%	502,280	1,231,266	4.75%	121,519
Between 1.000 y 3.000	2,823,238	7.67%	803,254	1,980,343	7.64%	241,021
Between 500 y 1.000	2,064,416	5.61%	438,994	1,509,749	5.82%	167,812
Between 250 y 500	3,726,873	10.12%	477,559	2,782,713	10.74%	168,683
Between 125 y 250	9,337,588	25.36%	765,740	6,821,175	26.32%	293,986
Between 50 y 125	8,873,254	24.10%	420,719	5,919,217	22.84%	147,311
Between 25 y 50	1,863,359	5.06%	78,986	1,126,976	4.35%	26,124
Less than 25	1,365,891	3.71%	89,989	901,161	3.48%	50,060
Valuation adjustments	(2,556,485)			(535,345)		
Loans and advances to other debtors	**34,257,233**	**100.00%**	**4,671,836**	**25,384,493**	**100.00%**	**1,562,981**

The following table shows loans and receivables utilised and contingent risks at 31 December 2012 and 2011 by segment, portfolio and sub-portfolio:

	Thousands of euros			
	2012		2011	
	Risk	Distribution (%)	Risk	Distribution (%)
Retail:	**25,559,402**	**68.22%**	**19,041,635**	**66.81%**
Home:	**16,125,935**	**43.05%**	**12,554,256**	**44.05%**
Normal	14,527,643	38.78%	11,172,925	39.20%
Other uses	1,598,292	4.27%	1,381,331	4.85%
Other financing for families:	**2,301,297**	**6.14%**	**1,128,889**	**3.96%**
Micro-consumption	92,990	0.25%	63,350	0.22%
Automobiles	177,559	0.47%	194,980	0.68%
Other goods and services	2,030,748	5.42%	870,559	3.05%
Automatically renewable:	**502,554**	**1.34%**	**391,978**	**1.38%**
Credit cards	459,588	1.23%	366,915	1.29%
Overdrafts	42,966	0.11%	25,063	0.09%
Small businesses:	**4,847,302**	**12.93%**	**3,357,429**	**11.78%**
Business activity of individuals	2,552,376	6.81%	1,708,285	5.99%
Micro-businesses	2,294,926	6.12%	1,649,144	5.78%
Agri-food retail:	**1,782,314**	**4.76%**	**1,609,084**	**5.65%**
Horticulture under plastic	876,167	2.34%	896,394	3.14%
Other agri-food sector	906,147	2.42%	712,690	2.50%
Corporate:	**9,892,302**	**26.41%**	**8,164,684**	**28.65%**
Developers:	**4,761,810**	**12.71%**	**4,049,312**	**14.21%**
Developer	2,576,742	6.88%	2,414,391	8.47%
Land	1,451,036	3.87%	1,021,381	3.58%
Other developers	734,032	1.96%	613,540	2.15%
Corporate agri-food	**2,094,459**	**5.59%**	**1,612,661**	**5.66%**
SMEs:	**2,345,765**	**6.26%**	**1,856,320**	**6.51%**
Small	1,513,703	4.04%	1,063,459	3.73%
Medium	832,062	2.22%	792,861	2.78%
Large businesses:	**690,268**	**1.84%**	**646,391**	**2.27%**
Public administrations:	**1,332,038**	**3.56%**	**620,024**	**2.18%**
Non-profit organisations:	**396,185**	**1.06%**	**302,757**	**1.06%**
Financial intermediaries:	**280,118**	**0.76%**	**373,447**	**1.31%**
Total Credit Portfolio	**37,460,045**	**100.00%**	**28,502,548**	**100.00%**

Note: the figures in the above table belong to information from the Portfolio Management Area, the figures do not come from the financial statements, they include loans to customers, contingent liabilities, availables for thri parties, default assets and indexed loans whoich have been written off the Balance Sheet, valuation adjustments are not included.

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

	Thousand of Euros				
	Total	**Spain**	**Rest of European Union**	**America**	**Rest of world**
Credit entities	2,533,664	2,368,708	164,754	-	202
Public administrations	3,455,703	3,452,651	3,052	-	-
Central Administration	2,504,857	2,501,805	3,052	-	-
Other	950,846	950,846	-	-	-
Other financial institutions	1,641,971	1,628,154	10,396	3,342	79
Non-finantial entities and individual entrepreneurs	13,588,030	13,563,484	22,605	591	1,350
Construction and Real state	3,463,038	3,462,380	475	-	183
Civil construcctions	122,514	121,723	-	-	791
Other meanings	10,002,478	9,979,381	22,130	591	376
Large companies	2,596,057	2,578,696	17,361	-	-
SME's and individual entrepreneurs	7,406,421	7,400,685	4,769	591	376
Other homes and ISFLSH	20,911,411	20,743,428	139,090	5,661	23,232
Houses	15,856,750	15,694,969	135,200	5,627	20,954
Consumption	2,026,637	2,023,240	2,292	34	1,071
Other meanings	3,028,024	3,025,219	1,598	-	1,207
Minus: Impairment value corrections of assets	(608,440)	-	-	-	-
Total	**41,522,339**	**41,756,425**	**339,897**	**9,594**	**24,863**

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

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

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

	Thousand of Euros									
	Autonomous Comunities									
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Cataluña**
Credit entities	2,368,708	188,354	302	102	710	141,020	816,272	173	4,671	77,280
Public administrations	3,452,651	375,910	-	-	13,426	38,772	-	3,390	36,579	50,655
Central Administration	2,501,805									
Other	950,846	375,910	-	-	13,426	38,772	-	3,390	36,579	50,655
Other financial institutions	1,628,154	11,076	-	-	86	-	-	-	417	1,129,072
Non-finantial entities and individual entrepreneurs	13,563,484	4,619,425	35,617	1,543	201,234	594,085	14,028	187,025	564,216	388,993
Construction and Real state	3,462,380	1,294,986	17,598	-	22,625	86,744	6,665	65,423	140,578	113,372
Civil constructionsl	121,723	50,579	39	-	452	8,587	-	1,175	390	2,286
Other meanings	9,979,381	3,273,860	17,980	1,543	178,157	498,754	7,363	120,427	423,248	273,335
Large companies	2,578,696	1,101,246	8,944	541	18,878	78,149	1,929	26,435	84,759	45,090
SME's and individual entrepreneurs	7,400,685	2,172,614	9,036	1,002	159,279	420,605	5,434	93,992	338,489	228,245
Other homes and ISFLSH	20,743,428	5,615,383	27,265	6,983	323,742	387,174	10,192	199,355	602,029	1,630,596
Houses	15,694,969	4,326,849	18,579	5,737	257,227	227,428	8,886	162,859	502,641	1,507,906
Consumption	2,023,240	382,866	1,959	852	48,822	9,117	968	25,290	32,542	89,873
Other meanings	3,025,219	905,668	6,727	394	17,693	150,629	338	11,206	66,846	32,817
Minus: Impairment value corrections of assets	(608,440)	-	-	-	-	-	-	-	-	-
Total	**41,147,985**	**10,810,148**	**63,184**	**8,628**	**539,198**	**1,161,051**	**840,492**	**389,943**	**1,207,912**	**3,276,596**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**C. Valenciana**	**País Vasco**	**La Rioja**	**Ceuta y Melilla**
Credit entities	-	38	528,462	1,007	-	575,263	35,054	-	-
Public administrations	-	1,045	5,645	102,384	-	308,484	-	-	14,556
Central Administration									
Other	-	1,045	5,643	102,384	-	308,484	-	-	14,556
Other financial institutions	-	19	481,700	3,104	61	1,151	1,468	-	-
Non-finantial entities and individual entrepreneurs	1,560	40,877	1,201,358	1,883,461	15,819	3,782,491	6,943	6,189	18,620
Construction and Real state	181	19,744	398,541	349,670	10,647	925,153	2,237	-	8,216
Civil constructionsl	-	138	30,828	7,197	-	19,945	-	-	107
Other meanings	1,379	20,995	771,989	1,526,594	5,172	2,837,393	4,706	6,189	10,297
Large companies	398	12,471	464,855	330,308	4,269	395,934	1,084	2,653	753
SME's and individual entrepreneurs	981	8,524	307,134	1,196,286	903	2,441,459	3,622	3,536	9,544
Other homes and ISFLSH	5,582	8,376	979,638	3,507,283	3,916	7,335,891	15,908	2,619	81,496
Houses	4,943	5,581	856,160	2,960,765	3,186	4,761,125	7,463	2,109	75,525
Consumption	284	831	40,283	291,332	342	1,092,087	1,025	275	4,492
Other meanings	355	1,964	83,195	255,186	388	1,482,679	7,420	235	1,479
Minus: Impairment value corrections of assets	-	-	-	-	-	-	-	-	-
Total	**7,142**	**50,355**	**3,196,803**	**5,497,239**	**19,796**	**12,003,280**	**59,373**	**8,808**	**114,672**

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

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

6.3. Market and Exchage-rate Risk

a) Risk policy: limits, diversification and mitigation

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

The basic **principles** are as follows:

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

- Derivative instruments and forward currency transactions may only be contracted to hedge previously authorised risk positions.
- Fixed-income or equity instruments may only be acquired as part of the management of a "portfolio" the creation of which must be specifically authorised by the Executive Committee, which will establish the portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses and value at risk. Where no limits are necessary, the reasons must be stated in the agreement.
- Exchange risk limits are reduced to levels strictly necessary to fulfil customers' operating needs, resulting in the following three specific exchange risk limits:
  - The sum of the equivalent value in euros of currency positions, using absolute values, may not exceed 0.60% of computable capital.
  - The equivalent value in euros of the position in each currency, in absolute terms, may not exceed 0.40% of computable capital.
  - The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.08% of computable capital.
- Only Cajas Rurales Unidas, as Head Entity of the Group, may have exposition to market risk.
- The net market risk position may not exceed 50% of computable capital.
- The net market risk position in equity portfolios may not exceed 5% of computable capital

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

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

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

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

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

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

At 31 December 2012 and 2011 the impact of exchange rate risk is not significant at the Group since it does not maintain any relevant positions denominated in foreign currencies.

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

	Thousands of euros	
Assets	**2012**	**2011**
Cash and balances with central banks	1,659	1,421
Loans and advances to credit institutions	36,675	34,407
Other assets	12,992	10,203
Total	**51,326**	**46,031**

	Thousands of euros	
Liabilities	**2012**	**2011**
Depósitos from other creditors	40,238	43,356
Other liabilities	2,291	525
Total	**42,529**	**43,881**
Net position	**8,797**	**2,150**
Buy and sell currencies	**31,081**	**13,739**

The net amount of exchange-rate risks recognised in the consolidated income statement, except for those included in the portfolio of financial assets and liabilities at fair value through changes in profit or loss totals 2,118 thousand euros in 2012 (1,473 thousand Euros in 2011).

In 2012 and 2011 the Group did not record any "Exchange differences" under the heading "Measurement adjustments" in "Equity".

6.4. Operational risk

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

  In 2011 the Cajas Rurales Unidas Group's Governing Board approved the Operational Risk Control and Management Policies Guide, regulating the following matters: (i) Basic management and control principles; (ii) action framework; (iii) risk management cycle; (iv) bodies responsible for risk management and control; and (v) operational risk management and measurement tools.

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

  - Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group's operational risks.
  - Principle of functional independence: In order to establish the effective management of the Operational Risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.
  - Principle of consistency, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of Operational Risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.

- Principle of transparency. In light of the need for a corporate culture of Operational Risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group's Operational Risk approach.
- Principle of adapting to change. Due to the on-going changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change of the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the Operational Risk inherent in regulatory amendments.
- Principle of assurance. The Group's Entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems.

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

- Identify events that could cause a loss.
- Define appropriate controls to avoid losses.
- Measure the capital necessary to cover operational risk.
- Prepare periodic reports on exposure to operational losses.

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

The **scope of application** of the management cycle is the entire organisation, through all levels, such that it is applied to all risks entailing material exposure. The only exceptions are those areas, departments or processes where there is no material exposure to operational risk.

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

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

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

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

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

- **Management tools: measurement, communication, control and monitoring systems**

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

- Loss database: Registers relevant data on all operational risk events. Historical depth of over five years.
- Risk and self-assessment map: Qualitative evaluation of risks affecting each area (departments and office network) and mitigating controls in place.
- KRIs: Key risk indicators or operational risk indicators.
- Action plans or proposals for improvement.

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

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

6.5. Interest rate risk

a) <u>Risk policy: limits, diversification and mitigation</u>

The Entity Group's Governing Board approved the rewriting of the former manuals on market, exchange rate, interest rate and liquidity risks in a single volume, adapting the limits established on the new configuration of the Group. This manual regulates: (i) basic principles governing these risks; (ii) applicable limits; (iii) bodies responsible for management and control; (iv) procedures for calculating risks and limits; and (v) management and control reports.

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

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

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

- Limit on products showing significant exposure, whereby investments and financing for terms of over 40 months must be arranged at variable interest rates. Exceptions must be authorised by the Assets and Liabilities Committee after their impact on exposure to interest rate risk has been examined.
- Faculties to resolve against certain exposure levels. A simple exposure to risk is calculated, which consists I which is evaluated by analyzing the impact of a relative decrease in the financial margin at 12 months in the event of sudden and parallel changes of +/-100 basis points in the interest rate curve, discounted by the market. Depending on the level presented, the decision of maintaining the position or adopting the corrective measures is defined as follows:

Interest rate risk indicator	Authorised body
Between 5% and 10%	Assets and Liabilities Committee
Above 10%	Executive Committee

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

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

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

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

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

Impact on the Income Statement

The sensitivity of the Gross earnings margin is analyzed, both from a that point of view (maintaining the size and structure of the balance sheet) as well as from a dynamic point of view (including budgeted growth in the balance sheet) as a result of the impact resulting from various scenarios of interest rate changes. A 100 basis points increase (1%) in interest rates, assuming that the size and structure of the balance sheet remains the same, would have an impact on the gross earnings margin that is sensitive to interest rates on a 1 year horizon totalling -8.55% (-6.20% in 2011).

Impact on Financial Value:

Future cash flows are restated to obtain an approximation of the Entity's present value, paying special attention to the repricing of equity figures and the effect of various options. As a result of the analysis, the impact on the Entity's financial value in the event of an instant 100 basis point increase (1%) in interest rates is -9.37% (-6.18% in 2011).

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

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

Year 2012	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 and 12 months**	**More than 12 months**	**Total Sensitive**	**Sensitivity (variation 1 pb.)**	**Term**	**Not Sensitive**	**Total**
ASSETS										
Money market	2,591,075	156,282	-	-	4,656	2,752,013	27	0.10%	-	2,752,013
Credit market	2,813,250	5,810,988	7,803,157	10,386,953	2,730,147	29,544,495	10,427	3.53%	2,500,747	32,045,242
Capital market	98,305	113,778	552,846	277,479	1,902,706	2,945,114	477	1.62%	321,492	3,266,606
Other assets	-	-	-	-	-	-	-	-	3,447,270	3,447,270
	5,502,630	**6,081,049**	**8,356,003**	**10,664,432**	**4,637,509**	**35,241,622**	**10,931**	**2.70%**	**6,269,509**	**41,511,131**
LIABILITIES										
Money market	2,009,282	643,491	799,590	128,014	5,873,071	9,453,447	1,340	1.42%	-	9,453,447
Medium and long-term issues	976,292	2,151,976	1,431,200	750,000	203,281	5,512,749	218	0.40%	-	5,512,749
Other liabilities	-	-	-	-	-	-	-	-	3,880,211	3,880,211
Creditors	3,546,690	4,650,525	3,750,421	5,493,657	5,223,430	22,664,724	2,517	1.11%	-	22,664,724
	6,532,264	**7,445,991**	**5,981,211**	**6,371,671**	**11,299,782**	**37,630,920**	**4,075**	**0.62%**	**3,880,211**	**41,511,131**
Gap	**(1,029,634)**	**(1,364,943)**	**2,374,792**	**4,292,761**	**(6,662,274)**	**(2,389,297)**	**6,856**	**2.08%**	**2,389,297**	
Gap/Assets (%)	**(2.48%)**	**(3.29%)**	**5.72%**	**10.34%**	**(16.05%)**	**(5.76%)**				

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

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

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

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

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

This table does not include the balances relating to the Entities pertaining to the Cooperative Group: Caja Campo Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural de Casinos, Sociedad Cooperativa de Crédito Valenciana

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

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

6.6. Liquidity risk

a) Risk policy: limits, diversification and mitigation

The Entity Group's Governing Board approved the rewriting of the former manuals on market, exchange rate, interest rate and liquidity risks in a single volume, adapting the limits established on the new configuration of the Group. This manual regulates: (i) basic principles governing these risks; (ii) applicable limits; (iii) bodies responsible for management and control; (iv) procedures for calculating risks and limits; and (v) management and control reports.

The basic principles regarding the management of liquidity risk are:

- The Group must maintain a level of liquid assets that is sufficient to attend to the closest maturities of liabilities.
- The group must finance loan investments mainly using retail resources, and making the use of wholesale financing remain within prudent limits.
- The Group must maintain an adequate diversification of the maturity dates relating to wholesale financing, and will keep control in the maturity date of those maturing at long term regarding any new emission.
- The Group must maintain an adequate reserve of assets that may be easily converted to cash
- The Group must define and apply a Liquidity Contingency Plan that foresees the action to be taken in the event of liquidity crisis situations deriving from both internal and external causes

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

- Short-term liquidity risk limits:
  - Daily liquidity limit. The liquidity for immediate use by the Group at the start of business, adjusted for the expected movement of funds, should be sufficient to cover any unexpected outflow of funds on a working day with a confidence level of 99%.
  - Six-month liquidity profile ratio limit (RPL6M). The Entity's effective liquidity, i.e. liquid assets minus enforceable liabilities derived from wholesale financing, in a six-month time horizon, may not fall below 4% of customer funds. This limit must be fulfilled on a weekly average basis.
  - Guarantees available in the discountable assets portfolio. The Entity must at all time keep discountable assets vis-à-vis the European Central Bank having a cash value of at least € 1,000 million.
- Limit on dependence on wholesale financing. Wholesale financing may not exceed 20% of loans and receivables.
- Limits on short-term wholesale financing. Net wholesale financing falling due in six months or less may not exceed the lower of the following amounts:
  - Overall cash value of the portfolio of discountable assets at the European Central Bank.
  - Thirty percent of total wholesale financing.
- Limit applicable to the eligible mortgage portfolio. The outstanding balance of covered mortgage bonds issued by the Group may not exceed 65% of the eligible mortgage portfolio.
- A Liquidity Contingency Plan has been prepared and implemented.

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

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

c) Herramientas de gestión: sistemas de medición, comunicación, control y seguimiento

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

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

Financial instruments broken down by residual maturity terms at 31 December 2012 and 2011 are as follows. The maturity dates that have been taken into consideration to build the accompanying table are the expected dates of maturity or cancellation obtained from the Group's past experience:

Year 2012

	Thousands of euros									
Assets	**On demand**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Undetermined and unclassified maturity**	**Valuation adjustments**	**Total**
Cash and balances with central banks	260,092	-	-	-	-	-	-	106,224	118	366,434
Loans and advances to credit institutions	121,637	1,134,372	147,893	53,121	33,682	2,000	10,000	1,781	1,006	1,505,492
Loans and advances to other debtors	-	1,880,851	1,300,241	948,545	1,734,701	7,441,792	18,532,144	4,975,444	(2,556,485)	34,257,233
Debt securities	-	31,658	42,903	555,529	289,113	2,085,241	168,606	25,806	(518)	3,198,338
Rest of assets held to maturity	93	50,365	-	5	228	3,614	188,692	-	-	242,997
Total	381,822	3,097,246	1,491,037	1,557,200	2,057,724	9,532,647	18,899,442	5,109,255	(2,555,880)	39,570,493
Liabilities										
Deposits from central banks	-	-	500,000	-	-	4,600,000	-	-	39,984	5,139,984
Deposits from credit institutions	370,384	200,351	89,331	51,170	34,467	1,915,964	7,449	9,610	17,313	2,696,039
Deposits from other creditors	9,778,165	2,706,773	3,392,670	3,802,864	4,744,130	2,812,244	1,992,180	371,840	253,863	29,854,729
Debt certificates including bonds	-	107,763	123,954	528,992	43,556	734,536	-	-	43,950	1,582,751
Subordinated liabilities	-	-	-	-	-	149,187	7,497	-	(216)	156,468
Rest of liabilities held to maturity	5,699	298,376	492	-	-	-	-	105,455	-	410,022
Total	10,154,248	3,313,263	4,106,447	4,383,026	4,822,153	10,211,931	2,007,126	486,905	354,894	39,839,993
Gap (without valuation adjustments)	(9,772,426)	(216,017)	(2,615,410)	(2,825,826)	(2,764,429)	(679,284)	16,892,316	4,622,350		2,641,274
Accumulated gap	(9,772,426)	(9,988,443)	(12,603,853)	(15,429,679)	(18,194,108)	(18,873,392)	(1,981,076)	2,641,274		

Year 2011

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

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 2012 and 31 December 2011, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros				
	2012				
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Financial assets Type/Category					
Loans and advances to credit institutic	-	-	-	1,505,492	-
Loans and advances to other debtors	-	-	-	34,257,233	-
Debt securities	493	1,003	1,224,873	-	1,971,969
Equity instruments	176	67	138,184	-	-
Trading derivatives	2,280	-	-	-	-
Total	**2,949**	**1,070**	**1,363,057**	**35,762,725**	**1,971,969**
	2011				
Financial assets Type/Category					
Loans and advances to credit institutic	-	-	-	548,146	-
Loans and advances to other debtors	-	-	-	25,384,493	-
Debt securities	-	1,817	2,189,117	-	136,625
Equity instruments	-	-	154,587	-	-
Trading derivatives	1,142	-	-	-	-
Total	**1,142**	**1,817**	**2,343,704**	**25,932,639**	**136,625**

Details of the carrying value of the Group's financial liabilities at 31 December 2012 and 31 December 2011, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousands of euros		
	2012		
	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	-	-	5,139,984
Loans and advances to credit institutions	-	-	2,696,039
Deposits from other creditors	-	-	29,854,729
Debt certificates including bonds	-	-	1,582,751
Trading derivatives	69,777	-	-
Subordinated liabilities	-	-	156,468
Short positions	-	-	-
Other financial liabilities	-	-	467,005
CONSOLIDATED TOTAL	**69,777**	**-**	**39,896,976**
	2011		
Financial assets Type/Category			
Deposits from central banks	-	-	3,000,821
Loans and advances to credit institutions	-	-	1,218,155
Deposits from other creditors	-	-	20,998,745
Debt certificates including bonds	-	-	2,532,802
Trading derivatives	1,142	-	-
Subordinated liabilities	-	-	57,767
Short positions	-	-	-
Other financial liabilities	-	-	176,490
CONSOLIDATED TOTAL	**1,142**	**-**	**27,984,780**

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 2012 and at 31 December 2011 is as follows:

	Thousands of euros	
	2012	**2011**
Cash on hand	251,901	219,182
Bank of Spain:		
Assets purchased under resale agreements	-	-
Rest of deposits	114,415	232,114
Other central banks	-	-
Valuation adjustments:		
Accrued interest	118	152
Micro-hedging operations	-	-
Other	-	-
Total	**366,434**	**451,448**

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

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

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the cash flow statements for 2012 and 2011.

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	
	2012	2011	2012	2011
Deposits from central banks	-	-	-	-
Loans and advances to credit institutions	-	-	-	-
Loans and advances to other debtors	-	-	-	-
Deposits from other creditors	-	-	-	-
Debt securities	493	-	-	-
Debt certificates including bonds	-	-	-	-
Equity instruments	176	-	-	-
Trading derivatives	2,280	1,142	69,777	1,142
Short positions	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**2,949**	**1,142**	**69,777**	**1,142**

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 2012 and 31 December 2011 are indicated below, in accordance with the various classifications made based on the type of market, type of product, counterparty, remaining term and type of risk:

	Thousands of euros					
	Notional		Fair value			
			Assets		Liabilities	
By type of market	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Official markets	**3,780**	**4,022**	**1**	**-**	**4**	**-**
Financial futures:	3,780	4,022	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	3,780	4,022	-	-	-	-
Options:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Other products:	-	-	-	-	-	-
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Unofficial markets	**7,253,295**	**5,619,825**	**2,279**	**1,142**	**69,773**	**1,142**
Total	**7,257,075**	**5,623,847**	**2,280**	**1,142**	**69,777**	**1,142**
By type of product						
Foreign currency forward transactions:	-	-	-	-	-	**-**
Purchase	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Purchase of currencies against currencies	-	-	-	-	-	-
Forward rate agreements (FRA)	-	-	-	-	-	**-**
Swaps	**6,229,575**	**5,285,060**	**782**	**627**	**69,464**	**654**
Options:	**1,027,500**	**338,787**	**1,498**	**515**	**313**	**488**
Purchased	181,090	169,598	1,498	515	313	488
Sold	846,410	169,189	-	-	-	-
Other products:	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Total	**7,257,075**	**5,623,847**	**2,280**	**1,142**	**69,777**	**1,142**
By counterparty						
Resident credit institutions	3,229,316	782,405	1,419	393	69,357	594
Non-resident credit institutions	200	-	14	-	-	-
Other resident financial entities	3,460,500	4,246,244	75	120	108	59
Other non-resident financial entities	380,393	412,759	-	-	-	-
Rest of resident sectors	186,666	182,439	772	629	312	489
Rest of non-resident sectors	-	-	-	-	-	-
Total	**7,257,075**	**5,623,847**	**2,280**	**1,142**	**69,777**	**1,142**
By term to maturity						
Up to 1 year	128,253	9,631	-	12	92	12
Between 1 and 5 years	721,566	735,778	1,502	442	2,090	468
More than 5 years	6,407,256	4,878,438	778	688	67,595	662
Total	**7,257,075**	**5,623,847**	**2,280**	**1,142**	**69,777**	**1,142**
By type of risk						
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	7,222,400	5,619,309	1,092	1,136	68,602	1,136
Share risk	34,675	4,538	1,188	6	1,175	6
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**7,257,075**	**5,623,847**	**2,280**	**1,142**	**69,777**	**1,142**

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	
	2012	**2011**
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt securities	1,003	1,817
Equity instruments	67	-
Total	**1,070**	**1,817**

a) Deposits at credit institutions

At 31 December 2012 and 31 December 2011 there were no balances classified under this balance sheet heading.

b) Customer Loans

At 31 December 2012 and 31 December 2011 there were no balances classified under this balance sheet heading.

c) Debt Securities

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

	Thousands of euros	
	2012	**2011**
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	-	1,817
Other resident sectors	-	-
Non-resident Public Administrations	-	-
Other non-resident sectors	1,003	-
Non-performing assets	-	-
Valuation adjustments	-	-
Total	**1,003**	**1,817**

At 31 December 2012 and at 31 December 2011 no secure transactions carried out with other credit institutions existed.

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2012 and 2011, are as follows:

	Thousands of euros	
	2012	**2011**
Opening balance:	**1,817**	**1,635**
Additions	-	1,817
Incorporation of Entities of Grupo Cooperativo	1,226	-
Sales, depreciation and amortisation	(223)	-
Portfolio adjustment cost	-	-
Valuation adjustments	-	-
Transfers (Note 7.4.a)	(1,817)	(1,635)
Closing balance:	**1,003**	**1,817**

d) Equity Instruments

At 31 December 2011 and 31 December 2010 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousands of euros	
	2012	**2011**
Credit institutions	-	-
Other resident sectors	-	-
Other non-resident sectors	67	-
Total	**67**	**-**

In 2012 and 2011 the account Equity Instruments reflects the following movements, without taking into account impairment corrections value:

	Thousands of euros	
	2012	**2011**
Opening balance:	**-**	**-**
Additions	-	-
Incorporation of Entities of Grupo Cooperativo	101	-
Sales, depreciation and amortisation	(34)	-
Closing balance:	**67**	**-**

7.4. Available-for-sale financial assets

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

	Thousands of euros	
	2012	**2011**
Debt securities	1,224,873	2,189,117
Other equity instruments	138,184	154,587
Total	**1,363,057**	**2,343,704**

a) Debt securities

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

	Thousands of euros	
	2012	**2011**
Central banks	-	-
Spanish Public Administrations	615,964	1,116,901
Credit institutions	274,606	756,275
Other resident sectors	319,156	312,136
Non-resident Public Administrations	3,046	2,325
Other non-resident sectors	12,131	2,575
Non-performing assets	247	-
Valuation adjustments		
Imapirment assets valuation adjustments (Note 25)	(277)	(1,095)
Total	**1,224,873**	**2,189,117**

At 31 December 2012 the balance "Debt securities" totalling, 839,249 thousands of Euros were loaned on warranty (681,538 thousand Euros at 31 December 2011), of which 466,735 thousand Euros were pledged under a loan agreement that encumber securities and other assets concluded with the Bank of Spain (Note 7.7.a) as well as 263,0298 thousand Euros corresponded to "Time Deposits" (Note 7.7.b)

The interest accrued in 2012 and 2011 relating to debt securities totalled 49,165 and 142,037 thousand Euros respectively (Note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2012 and 201 are as follows:

	Thousands of euros	
	2012	**2011**
Opening balance	**2,189,117**	**1,566,240**
Purchases	5,793,565	2,435,163
Sales, depreciation and amortisation	(7,292,982)	(1,909,798)
Transfers	1,817	506
Incorporation Caixa Rural de Balears	197,717	-
Portfolio adjustment cost	6,086	(3,544)
Incorporation Entities Grupo Cooperativo	335,196	74,387
Accrued interests	(14,557)	9,538
Adjustments in Equity valuations	8,096	16,541
Asset impairment adjustments	818	84
Closing balance	**1,224,873**	**2,189,117**

The most significant movements in 2012 and 2011 relate to the acquisition and subsequent sale of fixed-income securities issued by credit institutions.

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

b) *Equity Instruments*

This heading of the accompanying consolidated balance sheets records the financial instruments issued by other entities, such as shares, contributions and participating quotas that are considered to be equity instruments by the issuer, except for those companies in which control is exercised, a stake exceeding 20% is held or, if a lower shareholding is held, significant influence is maintained. This account includes interests in investment funds.

At 31 December 2012 and 31 December 2011 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousands of euros	
	2012	**2011**
From credit institutions	5,354	35,462
Incorporation Caixa Rural de Balears	-	-
From other resident sectors	132,392	118,939
Incorporation from Other sectors from Caixa Rural de Balears	-	-
From non-residents	438	186
Total	**138,184**	**154,587**

At the end of the years 2012 and 2011 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:

	2012		**2011**	
	Thousands of euros	**% from total**	**Thousands of euros**	**% from total**
Quoted:	**25,459**	**18.39%**	**16,597**	**10.74%**
Cost	25,457	18.39%	16,368	10.59%
Equity valuation adjustments	58	0.04%	229	0.15%
Valuation adjustments through profit and loss	-	-	-	-
Impairment adjustments	(56)	(0.04%)	-	-
Unquoted	**112,955**	**81.61%**	**137,990**	**89.26%**
Cost	142,682	103.09%	149,030	96.41%
Equity valuation adjustments	7,119	5.14%	1,323	0.86%
Impairment adjustments	(36,846)	(26.62%)	(12,363)	(8.00%)
Total	**138,414**	**100.00%**	**154,587**	**100.00%**

In 2012 and 2011 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**	
	2012	**2011**	**2012**	**2011**
Opening balance	**16,597**	**16,509**	**150,353**	**130,357**
Additions	1,255	5,000	12,666	10,156
Disposals	(863)	(5,042)	(16,167)	(3,478)
Transfers	-	-	(21,631)	-
Incorporation cost Caixa Rural de Balears	3,076	-	12,775	-
Equity valuation adjustments	(58)	(379)	4,469	6,545
Incorporation cost Caixa Rural de Balears	204	-	1,006	-
Incorporation Entities Grupo Cooperativo Cajamar	5,304	509	6,330	6,773
Closing balance	**25,515**	**16,597**	**149,801**	**150,353**

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

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

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

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

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

The most significant movements in 2011 relating listed securities on an organized market basically relate to the merger by takeover between Fondo de Inversión Cajamar Fondepósito (absorbing Entity) and Fondo de Inversión Cajamar Rendimiento (absorbed). Coming from this operation an addition is made for 5,000 thousand Euros as well as an elimination for the same amount.

The most significant additions for 2011 relating to unlisted securities mainly gathers contributions to venture capital funds for 2,417 thousand Euros, share capital increases in Metro de Málaga S.A. and Autopista del Sureste, C.E.A., S.A. totaling 6,433 and 141 respectively. A contribution of 906 thousand Euros in Inversión y Gestión de Capital Semilla de Andalucía S.C.R., de Régimen Común, S.A. has been made due to buying stake arising from the andalusian venture capital entities merger. All other additions relate to various acquisitions and represent a total amount of 256 thousand Euros.

The most significant eliminations in 2011 regarding unlisted securities refer to the reimbursement for shares in venture capital companies totalling 1,263 thousand Euros and from Caja Rural de Zamora, S.C.C. for 386 thousand Euros, also the sale of the participations in Sociedad Inversora en Residencias Para Estudiantes Granadina, S.A. regarding 180 thousand Euros. Furthermore an elimination regarding 120 thousand Euros has been made in Inversiones e Iniciativas Málaga, S.C.R., de Régimen Simplificado, due to the andalusian venture capital entities merger. All other eliminations relate to the winding up of Country Club La Envia Golf, S.L for 1,252 thousand Euros, as well as from the split of Servired Sociedad Española de Medios de Pago, S.A into Redsys Servicios de Procesamiento, S.L., carrying an elimination of 277 thousand Euros.

The Group had accounted at cost during 2012 and 2011, assets classified under the heading available-for-sale financial assets for 5,887 and 5,887 thousand Euros; respectively, not being possible to estimate its fair value reliably.

In 2012 the investments classified in the portfolio "Available-for-sale financial assets" that the Entity recognised at cost represented 3.81% of the entire portfolio, (3.81% in 2011).

The yield from "Equity instruments" at 31 December 2012 and 2011 totalled a 2,157 y 2,162 thousand Euros, respectively (Note 25).

c) Impairment losses

The breakdown of impairment losses booked at year end in 2012 and 2011 for assets under the "Avaible-for-sale assets – Debt securities" caption is as follows:

	Thousands of euros	
	2012	**2011**
Provision opening balance	**(1,096)**	**(267)**
Provisions charged to profit and loss (Note 25)	(172)	(389)
Recovered funds	660	296
Write-offs due to use and other	424	-
Transfers	-	-
Incorporation impairment Entities Caja Rural de Castellón	(93)	(736)
Saldo final provisión	**(277)**	**(1,096)**

The breakdown of impairment losses booked at year end in 2012 and 2011 for assets under the "Avaible-for-sale assets – Equity instruments" caption is as follows:

	Thousands of euros	
	2012	**2011**
Provision opening balance	**(12,363)**	**(3,437)**
Provisions charged to profit and loss (Note 25)	(20,007)	(9,894)
Recovered funds	274	-
Write-offs due to use and other	175	1,010
Transfers	-	-
Incorporation impairment Entities Caixa Rural de Balears	(3,872)	-
Incorporation impairment Entities Grupo Cooperativo	(1,109)	(42)
Provision closing balance	**(36,902)**	**(12,363)**

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 2012 and 2011, the details of these variations on the consolidated balance sheets are as follows:

	Thousands of euros	
	2012	**2011**
Debt securities	**(17,867)**	**(14,025)**
Capital gains/losses	(23,823)	(18,700)
Tax effect (Note 24)	5,956	4,675
Other equity instruments:	**5,111**	**1,056**
Capital gains/losses	7,302	1,508
Tax effect (Note 24)	(2,191)	(452)
Capital gains/losses on the available-for-sale assets portfolio	**(12,756)**	**(12,969)**
Capital gains/losses on entities accounted for by the equity method	**(174)**	**(1,321)**
Total valuation adjustments	**(12,930)**	**(14,290)**

7.5. Loans and receivables

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

	Thousands of euros	
	2012	**2011**
Loans and advances to credit institutions	1,505,492	548,146
Loans and advances to other debtors	34,257,233	25,384,493
Debt securities	-	-
Total	**35,762,725**	**25,932,639**

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	
By type (assets)	**2012**	**2011**
Nostro/vostro accounts	**105**	**-**
Term deposits	**183,625**	**453,042**
Hybrid financial assets:		
With guaranteed capital	-	-
With embedded credit derivative	-	-
Other	507	497
Assets purchased under resale agreements	**988,727**	**-**
Other deposits	**281,636**	**50,575**
Non-performing assets:		
Other financial assets (checks drawn on credit institutions)	**49,887**	**43,951**
Valuation adjustments:		
Accrued interest:		
Resident institutions	1,006	81
Non-resident institutions	-	-
Total	**1,505,492**	**548,146**

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

b) Customer Loans

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

	Thousands of euros	
	2012	**2011**
By credit type and status:		
Money market operations through counterparties	1,124,606	101,936
Commercial loans	481,961	410,215
Secured loans	24,101,631	19,287,956
Assets purchased under resale agreements	-	-
Hybrid financial assets	-	-
Other term debtors	4,157,993	3,831,540
Lease financing	118,530	121,827
Loans on demand and others	1,871,950	525,913
Non-performing assets	4,671,836	1,562,981
Valuation adjustments	(2,556,485)	(535,345)
Other financial assets:		
Financial guarantee commissions (Notes 3.6)	*14,917*	*8,683*
Other assets	*270,294*	*68,787*
Total	**34,257,233**	**25,384,493**
By sector:		
Spanish public administration	1,083,866	554,988
Other resident sectors	32,968,834	24,628,106
Non-resident public administrations	-	-
Other non-resident sectors	204,534	201,399
Total	**34,257,233**	**25,384,493**
By interest rate type:		
Fixed	5,365,331	2,724,808
Variable	28,891,902	22,659,685
Total	**34,257,233**	**25,384,493**

The heading "Other financial assets - Other financial assets" includes other balances receivable by the Group for transactions that are not classified as loans.

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

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

	Thousand of Euros							
				Credit guaranteed with in rem guarantees. Loan to value				
	Total	Of which: Garantía Real state guarantee	Of which: Other guarantees	Lower or equal to 40%	Over 40% and lower or equal to 60%	Above 60% and lower or equal to 80%	Over 80% or lower or equal to 100%	Above 100%
Public administrations	1,232,712	1,124,497	-	-	-	-	1,124,497	-
Other financial institutions	1,131,348	259	-	259	-	-	-	-
Non-finantial entities and individual entrepreneurs	12,622,307	7,222,921	135,764	1,833,777	2,282,874	2,125,186	758,293	358,555
Construction and Real state	3,388,626	2,992,947	5,374	370,644	665,111	1,198,430	503,817	260,319
Civil constructions	67,759	23,097	143	8,472	6,320	5,800	1,949	699
Other meanings	9,165,922	4,206,877	130,247	1,454,661	1,611,443	920,956	252,527	97,537
Large companies	2,419,271	483,523	46,023	170,559	167,303	105,018	55,938	30,728
SME's and individual entrepreneurs	6,746,651	3,723,354	84,224	1,284,102	1,444,140	815,938	196,589	66,809
Other homes and ISFLSH	19,877,299	17,407,970	14,401	3,200,239	5,413,445	7,224,859	1,167,407	416,421
Houses	15,856,751	15,182,954	3,591	2,594,115	4,728,304	6,699,060	988,016	177,050
Consumption	2,004,482	930,537	1,984	286,811	321,172	231,620	67,373	25,545
Other meanings	2,016,066	1,294,479	8,826	319,313	363,969	294,179	112,018	213,826
Minus: Impairment value corrections of assets	(606,433)	-	-	-	-	-	-	-
Total	**34,257,233**	**25,755,647**	**150,165**	**5,034,275**	**7,696,319**	**9,350,045**	**3,050,197**	**774,976**
Pro memo:								
Refinance and restructured operations	8,213,485	5,503,674	25,677	845,635	1,489,576	2,284,863	886,050	23,227

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	
	2012	2011
Valuation adjustments:		
Asset impairment adjustments	(2,539,697)	(549,626)
Accrued interest	120,320	121,132
Micro-hedging operations	-	-
Assets at fair value	(2,779)	(2,964)
Acquisition premiums/discounts	(20,500)	(17,604)
Fees and commissions	(113,829)	(86,283)
Transaction costs	-	-
Total	**(2,556,485)**	**(535,345)**

b.2.) Matured assets not impaired

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

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

	Thousands of euros			
Year 2011	**Less than one month**	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
Unsecured transactions	56,374	14,586	11,829	82,789
Secured transactions on finished housing	2,913	3,497	3,972	10,381
Other secured transactions	12,012	30,000	12,793	54,806
With partially pledged collateral	238	84	26	348
Total	**71,537**	**48,167**	**28,620**	**148,324**

b.3.) Impaired assets

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

	Thousands of euros					
Year 2012	**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	27,888	-	-	-	-	27,888
Unsecured transactions	-	196,502	45,520	43,915	143,492	429,429
Transactions with guarantee on finished households first residence	-	236,306	123,758	98,872	534,182	993,119
Transactions on land, and other real estate	-	291,865	88,473	58,474	339,230	778,042
Transactions with guarantee on finished households	-	419,639	92,376	149,060	610,956	1,272,030
Transactions on land, and other fixed assets	-	355,577	100,793	164,401	546,802	1,167,573
Operations with pledged collateral	3,755	-	-	-	-	3,755
Total	**31,643**	**1,499,889**	**450,920**	**514,722**	**2,174,662**	**4,671,836**

	Thousands of euros					
Year 2011	**Without fixed term**	**Up to 6 months**	**Between 6 and 9 months**	**Between 9 and 12 months**	**More than 12 months**	**Total**
Transactions without risk	5,028	-	-	-	3,669	8,697
Unsecured transactions	-	37,956	18,760	14,008	53,497	124,220
Transactions with guarantee on finished households first residence	-	52,503	27,399	24,250	251,284	355,437
Transactions on land, and other real estate	-	40,368	21,144	12,225	157,725	231,462
Transactions with guarantee on finished households	-	61,862	33,966	39,620	254,686	390,134
Transactions on land, and other fixed assets	-	76,300	59,098	71,718	243,453	450,569
Operations with pledged collateral	2,462	-	-	-	-	2,462
Total	**7,490**	**268,989**	**160,367**	**161,821**	**964,314**	**1,562,981**

The amount of accumulated accrued financial income on customer loans that are impaired and recognized in the consolidated income statement, before their impairment, totaled 39,125 and 8,617 thousands of Euros in 2012 and 2011, respectively.

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

The Cooperative Group has made several transfers of assets (mainly securitizations and transformations of assets) regarding customer loans. They have been accounted for in accordance with the policy described in Note 3.5. At 31 December 2012 and 31 December 2011, the active balance of these transactions was as follows:

	Thousands of euros	
	2012	**2011**
Securitisation of assets:		
Balance sheet write-offs:	**465,527**	**526,169**
Mortgage loans granted to securitisation funds	418,721	468,729
Other transfers to credit institutions	46,806	57,440
Held on the balance sheet:	**7,151,249**	**5,400,841**
Mortgage loans granted to securitisation funds	7,151,249	5,400,841
Other transfers to credit institutions	-	-
Total	**7,616,776**	**5,927,010**

Of total mortgage loans assigned to securitization funds recorded on the balance sheet at 31 December 2012, € 1,556,546 thousand relates to balances included by Ruralcaja. In turn, of total mortgage loans assigned to securitization funds written off the balance sheet at 31 December 2012, €38,355 thousand relates to balances included by Ruralcaja.

At 31 December 2011, of total other transfers of assets and total Mortgage loans assigned to securitization funds, €20,987 thousand and €132,312 thousand, respectively, related to the balances included of Caja Campo, Caja Rural, Sociedad Cooperativa de Crédito. Additionally, at 31 December 2011, of total mortgage loans assigned to securitization funds on the balance sheet, €20,764 thousand relates to balances included in respect of Caja Rural de Castellón, Sociedad Cooperativa de Crédito.

The Group has transformed loans into bonds that may be discounted through the assignment of securitization funds that while recorded under the portfolio "Customer loans" allows financing to be obtained by pledging those items. At 31 December 2012, the Entity retained 4,984,172 thousand Euros in securitized bonds relating to the above-mentioned transformations of loans and credit lines (3,624,526 thousand Euros at 31 December 2011) (Note 7.7.c).

Of the aforementioned 4.984.172 thousand Euros in securitisation bonds existing at 31 December 2012 (4,294,181 thousand Euros at 31 December 2011), 4,056,159 thousand Euros (2,803,205 thousand Euros at 31 December 2011 were pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Bank of Spain, (Note 7.7.a).

Commissions on securitized assets written off the consolidated balance sheet and which relate to all those securitizations prior to 1 January 2004 are recognised in Gains or losses on financial assets and liabilities (net) in the consolidated income statement in 2012 and 2011 in an amount of € 7,313 thousand and €4,989 thousand, respectively (Note 25).

The net liability recorded in the balance sheet as a balancing entry for the securitized assets maintained on the balance sheet are classified under "Financial liabilities at amortized cost - Customer deposits" totalling 1,994,841 and 1,667,240 thousand Euros at the end of 2012 and 2011, respectively, under the heading "Shares issued" (Notes 7.7.c).

Of the loan investments recorded in the balance sheet, the Cooperative Group has certain balances that have been pledged basically to the securitizations carried out, the issue of mortgage bonds as well as the transformations carried out, as follows:

	Thousands of euros	
Loans and credit as collateral	**2012**	**2011**
Asset securitisation collateral	7,569,970	5,869,570
Covered bond collateral	7,604,358	6,152,675
Total	**15,174,328**	**12,022,245**

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 2012 and 2011, which totaled 4,056,159 and 4,922,139 thousand Euros, respectively (Notes 7.7.c y 7.7.d).

c) Impairment losses on customer loans

Details of impairment losses booked at the end of year 2012 and 2011 for assets recorded under loans and receivables are as follows:

	Thousands of euros			
Year 2012	**Specific Hedges**	**General Hedges**	**Country Risk Hedges**	**Total Hedges**
Balance at 31 December 2011	**513,567**	**34,041**	**-**	**547,608**
Provisions charged to profit and loss:				
Individually determined	511,440	-	-	511,440
Collectively determined	1,071,460	16,070	-	1,087,530
Incorporation Ruralcaja - Individually determined	760,663	-	-	760,663
Incorporation Ruralcaja- Collectively determined	33,792	40,786	-	74,578
Incorporation Grupo Cooperativo - Individually determined	125,460	-	-	125,460
Incorporation Grupo Cooperativo- Collectively determined	59,412	32,060	-	91,472
Recovery of provisions credited to profit and loss	(365,135)	(56,986)	-	(422,121)
Defaulted loans written off against funds	(173,935)	-	-	(173,935)
Other movements	(62,998)	-	-	(62,998)
Balance at 31 December 2012	**2,473,726**	**65,971**	**-**	**2,539,697**
Of which:				
According to method of determination:				
Individually determined	1,650,860	-	-	1,650,860
Collectively determined	822,866	65,971	-	888,837
According to geographical area of risk location:	-	-	-	-
Spain	2,473,726	65,971	-	2,539,697
Rest of Europe	-	-	-	-

	Thousands of euros			
Ejercicio 2011	**Specific Hedges**	**General Hedges**	**Country Risk Hedges**	**Total Hedges**
Balance at 31 December 2010	**500,223**	**78,429**	**-**	**578,652**
Provisions charged to profit and loss:				
Individually determined	293,644	-	-	293,644
Collectively determined	149	30,808	-	30,957
Incorporation Castellon - Individually determined	11,181	-	-	11,181
Incorporacion Castellon- Collectively determined	-	3,191	-	3,191
Recovery of provisions credited to profit and loss	(107,591)	(77,845)	-	(185,436)
Defaulted loans written off against funds	(137,585)	-	-	(137,585)
Other movements	(46,454)	(542)	-	(46,996)
Balance at 31 December 2011	**513,567**	**34,041**	**-**	**547,608**
Of which:				
According to method of determination:				
Individually determined	500,070	-	-	500,070
Collectively determined	13,496	34,041	-	47,537
According to geographical area of risk location:	-	-	-	-
Spain	513,566	34,041	-	547,608
Rest of Europe	-	-	-	-

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

The Cooperative Group has classified operations in the sub-prime category, as established in paragraph 7.b of Schedule IX of Bank of Spain Circular 4/2004 (22 December) and subsequent amendments. The fund created to hedge sub-prime risk totalled 273,776 thousand Euros on 31 December 2012 (13,496 thousand Euros at 31 December 2011). During 2012 a recuperation of 260,280 thousand Euros has been made (76,629 thousand Euros at 31 December 2011).

Details of "Impairment losses on financial assets (net) – Loans and receivables" (Note 25) in the consolidated income statements for the years ended 31 December 2012 and 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Provision for the year:	**(1,665,067)**	**(336,239)**
Specific and general funds	(1,598,970)	(324,601)
Net write-offs of loan losses	(66,097)	(11,638)
Recovery of defaulted loans	**82,700**	**29,802**
Rest of recoveries	**422,121**	**185,436**
Total	**(1,160,246)**	**(121,001)**

7.6. Held-to-maturity investment portfolio

Details of the "Held-to-maturity investment portfolio" caption on the consolidated balance sheets are as follows:

	Miles de euros	
	2012	**2011**
Debt instruments	1,971,969	136,625
Total	**1,971,969**	**136,625**

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

	Thousands of Euros	
	2012	**2011**
Central Banks	-	-
Spanish Public Administrations	1,623,410	110,384
Credit Entities	251,841	2,473
Other resident sectors	95,219	20,755
Non-Resident Public Administrations	-	-
Other Non-Resident sectors	1,740	3,066
Doubtful Assets	-	-
Valuation adjustments		
Impariment value corrections	(241)	(53)
Total	**1,971,969**	**136,625**

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 2012 and 2011 relating to debt securities totalled 85,250 and 4,458 thousand Euros respectively (Note 25).

At 31 December 2012, the balance of 1,590,905 thousand Euros in "Debt securities" was pledged as collateral (32,787 thousand Euros at 31 December 2011); 1,272,451 thousand Euros of this amount (1,000 thousand Euros at 31 December 2011) secured the credit agreement with the Bank of Spain and 306,432 thousands of Euros belonged to temporary borrowing of assets.

Variations in the balance of this caption on the accompanying consolidated sheets during 2012 and 2011 are as follows:

	Thousand of Euros	
	2012	**2011**
Initial balance	**136,625**	**137,449**
Purchase	4,488,980	2,605
Sales and depreciation	(3,241,499)	(2,497)
Trespasses	-	(569)
Merger of Ruralcaja	490,824	-
Accrual interest	23,894	37
Merger of entities	86,391	-
Portfolio value correction	(13,058)	(436)
Value impairment corrections (Note 25)	(188)	36
Saldo final	**1,971,969**	**136,625**

As a result of the business combination (Note 1.5) in 2012 debt securities in the held to maturity portfolio amounting to €2,004,109 thousand were reclassified to held for sale and subsequently sold.

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

Set out below is a breakdown of impairment losses recognized at 31 December 2012 and 2011 on assets in the item "Held-to-maturity investments – Debt securities":

	Thousands of euros	
	2012	**2011**
Initial provision balance	**(52)**	**(88)**
Provisions charged to profit or loss	(229)	(10)
Recuperated funds	40	46
Cancel for use y other	-	-
Trasnfers	-	-
Final provision balance	**(241)**	**(52)**

7.7. Financial liabilities at amortized cost

Details of this liabilities caption on the accompanying consolidated balance sheets at 31 December 2012 and 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Deposits from central banks	5,139,984	3,000,821
Deposits from credit institutions	2,696,039	1,218,155
Deposits from other creditors	29,854,729	20,998,745
Debt certificates including bonds	1,582,751	2,532,802
Subordinated liabilities	156,468	57,767
Other financial liabilities	467,005	176,490
Total	**39,896,976**	**27,984,780**

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

a) Deposits at central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2012 and 2011 are comprised as follows:

	Thousands of euros	
	2012	**2011**
Bank of Spain	**5,100,000**	**3,000,000**
Other central banks	**-**	**-**
Valuation adjustments:		
Accrued interests	39,984	821
Micro-hedging operations	-	-
Other central banks	-	-
Total	**5,139,984**	**3,000,821**

The balance recorded under the account "Bank of Spain" at 31 December 2012, 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 9,346,664 thousand Euros (4,822,827 thousand Euros at 31 December 2011), (Notes 7.4.a and 7.5.b.4).

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

b) Deposits at credit entities

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

	Thousands of euros	
By type (liability)	2012	2011
Nostro/vostro accounts	**299**	**-**
Term deposits	**2,294,916**	**1,057,455**
Shared issued	**-**	**-**
Other financial liabilities associated with transferred financial assets	**-**	**-**
Hybrid financial liabilities	**-**	**-**
Assets sold under repurchase agreements	**133,142**	**31,040**
Other deposits	**250,369**	**120,819**
Valuation adjustments:	**17,313**	**8,841**
Total	**2,696,039**	**1,218,155**

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

c) Customer deposits

Details of this caption under "Financial liabilities at amortised cost" in the liabilities section in the accompanying consolidated balance sheets, taking into consideration the counterparty and type of financial instrument, are as follows:

	Thousands of euros	
By counterparty and type of financial instrument	2012	2011
Mortgage market operations through counterparties	**1,247,495**	**93,459**
Spanish public administrations	**711,913**	**367,524**
Other resident sectors:	**27,652,958**	**20,323,183**
Demand deposits:	**9,077,511**	**5,980,520**
Current accounts	3,290,899	2,400,966
Savings accounts	5,750,960	3,553,099
Electronic funds	1,912	1,169
Other demand deposits	33,740	25,286
Term deposits:	**18,321,584**	**14,123,716**
Fixed-term deposits	15,777,527	12,003,708
Home buyer´s savings accounts	23,103	29,537
Discounted deposits	-	-
Shares issued (Note 7.5.b.4)	1,994,841	1,667,240
Received Cash	*7,035,051*	*5,308,548*
Debt securities (-) (Note 7.5.b.4)	*(4,984,172)*	*(3,624,526)*
Rest	*(56,038)*	*(16,782)*
Other financial liabilities with transferred financial assets	-	-
Hybrid financial liabilities	507,769	418,645
Other term deposits	18,344	4,586
Deposits redeemable at notice	**-**	**-**
Assets sold under repurchase agreements	**-**	**-**
Valuation adjustments	**253,863**	**218,947**
Non-resident public administrations	-	-
Other non-resident sectors	**242,363**	**214,579**
Total	**29,854,729**	**20,998,745**

The balance under Transactions on the mortgage market through counterparties includes securities assigned under the available for sale fixed income portfolio as well as fixed income securities in the held-to-maturity portfolio amounting to €263,026 thousand and € 306,432 thousand, respectively.

The balance recognised in the account "Term deposits" at 31 December 2012 and 31 December 2011, 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		Thousand of Euros				Hedging	
Issue	Maturity	Cash	Rating	Agency	Interest rate	Interest rate	Thousand of Euros
19/11/2004	19/11/2014	500,000	A+	Standar & Poor´s	4.01%	E12 + 0,0925%	500,000
11/03/2005	11/03/2015	200,000	A- Baa3	Standar & Poor´s Moody´s Investors Service, Ltd.	3.76%	E12 +0,1115%	200,000
02/12/2005	02/12/2015	500,000	A+ Baa1	Standar & Poor´s Moody´s Investors Service, Ltd.	3.51%	E12 + 0,1221%	500,000
25/05/2006	08/04/2016	300,000	BBB Baa1 A	FITCH Moody´s Investors Service, Ltd. Standar & Poor´s	Euribor 3 meses + 0,06%		-
09/06/2006	09/06/2016	500,000	BBB Baa1	FITCH Moody´s Investors Service, Ltd.	4.26%	E12 + 0,129%	500,000
28/05/2009	30/05/2013	250,000	AA-	Standar & Poor´s	3.25%		-
	Total issues	**2,250,000**					

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

d) Payables represented by negotiable securities

The details of this caption on the accompanying consolidated balance sheets, taking into consideration the type of financial liability, are as follows:

	Thousands of euros	
	2012	**2011**
Promissory notes and bills	429,287	-
Mortgage securities	3,833,560	2,672,140
Other non-convertible securities	825,000	1,634,000
Treasury shares	(3,549,046)	(1,818,450)
Valuation adjustments	43,950	45,112
Total	**1,582,751**	**2,532,802**

The movement of each type of financial liability during 2012 and 2011, without taking into account valuation adjustments, is as follows:

	Thousands of euros				
	2012				
	Inicial Balance	Issues	Repurchases or redemptions	Exchange rate differences and other	Closing balance
Debt securities issued in an EU Member State that require an information prospectus to be registered.	**2,487,690**	1,883,178	(2,831,971)	-	**1,538,897**
Those of which:					
Promissory notes and bills	-	633,178	(203,891)	-	429,287
Mortgage securities	878,690	1,250,000	(1,394,080)	-	734,610
Other non-convertible securities	1,609,000	-	(1,234,000)	-	375,000

	Thousands of euros				
	2011				
	Inicial Balance	Issues	Repurchases or redemptions	Exchange rate differences and other	Closing balance
Debt securities issued in an EU Member State that require an information prospectus to be registered.	**3,295,530**	1,500,000	(2,307,840)	-	**2,487,690**
Those of which:					
Promissory notes and bills	-	-	-	-	-
Mortgage securities	1,171,530	1,500,000	(1,792,840)	-	878,690
Other non-convertible securities	2,124,000	-	(515,000)	-	1,609,000

The issues recognised in the account "promissory notes and trade bills" in 2012 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 3.75%. During 2012 amounts derecognised due to maturity total €203,891 thousand.

In 2012 the Group carried out two Mortgage Bond issues amounting to €500,000 thousand and € 750,000 thousand and a territorial bond issue amounting to €325,000 thousand. The mortgage bond issues in 2011 amounted to €1,500,000 thousand and related in full to new mortgage bond issues.

The details of the issues made and pending maturity under "Mortgage securities" at 31 December 2012 are as follows (Note7.5.b.4):

Date		Thousands of euros					Hedging	
Issue	Maturity	Cash	Own Values	Rating	Agency	Interest rate	Nominal	Thousands of euros
23/10/2009	23/10/2014	1,083,560	(348,950)	BBB	FITCH	3.50%	E6+0,766%	556,000
26/07/2011	26/07/2016	500,000	(500,000)	Baa2	Moody´s Investors Service, Ltd.	5.75%	-	-
25/10/2011	25/10/2021	500,000	(500,000)	BBB	FITCH	5.50%	-	-
20/12/2011	20/12/2016	500,000	(500,000)	BBB	FITCH	5.00%	-	-
28/02/2012	28/02/2016	500,000	(500,000)	BBB	FITCH	5.00%	-	-
03/07/2012	03/07/2017	750,000	(750,000)	BBB	FITCH	5.50%	-	-
	Total issues	**3,833,560**	**(3,098,950)**					

Covered bond repos are completed to increase the volume of the Entity's discountable assets available in connection with the application of European monetary policy.

At 31 December 2012, the balance of € 3,551,300 thousand (€ 1,431,899 thousand at 31 December 2012) “Mortgage-backed securities” was pledged as collateral under the credit agreement with the Bank of Spain containing a pledge on securities and other assets (Note 7.7.a).

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

Date		Miles de euros					
Issue	Maturity	Efective	Own Stock	Rating	Agency	Interest	Issue
03/05/2010	03/05/2013	500,000	(125,000)	Baa3 BBB	Moody´s Investors Service, Ltd. FITCH	E3+0,74%	Bonos Simples Cajamar Mayo 2010
14/02/2012	14/02/2017	325,000	(325,000)	Baa2	Moody´s Investors Service, Ltd.	5.000%	
	Total Issues	**825,000**	**(450,000)**				

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

Gains generated by repos of “Mortgage-backed securities” and “Other non-convertible securities" during 2012 and 2011 totaled 6,944 and 3,569 thousand Euros respectively.

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

e) *Subordinated liabilitites*

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

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

	Thousands of euros	
	2012	2011
By type of liability and counterparty		
Subordinated debt certificates including bonds:	**156,684**	**58,300**
Convertible	-	-
Non-convertible	156,684	58,300
Subordinated deposits	**-**	**-**
Valuation adjustments	**(216)**	**(533)**
Total	**156,468**	**57,767**

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

Date		Thousand of Euros					
Issue	**Maturity**	**Efective**	**Own Stock**	**Rating**	**Agency**	**Interest**	**Issue**
16/03/2005	16/03/2015	300,000	(241,700)	BB -	FITCH	E3+0,80%	Cajamar Obligaciones subordinadas 2005
22/11/2005	23/11/2015	100,000	(20,000)	-	-	E3+0,90%	Ruralcaja Obligaciones subordinadas emisión 05
30/06/2007	30/06/2017	10,887	-	-	-	0.850%	Ruralcaja Obligaciones subordinadas emisión 06
01/06/2006	Perpetua	2,499	-	-	-	E3+0,25%	1ª Emisión de Obligaciones Subordinadas Credit Valencia
20/07/2007	Perpetua	2,499	-	-	-	E3+0,25%	2ª Emisión de Obligaciones Subordinadas Credit Valencia
25/09/2008	Perpetua	2,499	-	-	-	E3+0,25%	2ª Emisión de Obligaciones Subordinadas Credit Valencia
	Total issues	**418,384**	**(261,700)**				

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

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

The movement during 2012 and 2011, is as follows:

	Thousands of euros	
	2012	**2011**
Opening balance	**58,300**	**160,700**
Additions	-	-
Disposals	-	(102,400)
Incorporation to Grupo Cooperativo	98,384	-
Transfers	-	-
Closing balance	**156,684**	**58,300**

Disposals during 2011 relate to the repurchase and subsequent redemption of the "Cajamar Subordinated Bonds 2005" issue.

In 2012 and 2011 no new issues took place.

Interest accrued during 2012 and 2011 year on these subordinated bonds totalled 2,803 thousand Euros and 2,522 thousand Euros, respectively (Note 25) and they are included under the heading "Interest and similar charges" in the accompanying income statement.

Gains generated by repos of "Subordinated bonds" during 2011 totalled € 8,555 thousand, in 2012 no gains have been made for this issue.

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

f) Other financial liabilities

All of the financial liabilities recorded in this account in the accompanying consolidated balance sheet are classified into the "Financial liabilities at amortized cost" portfolio and therefore they are recognised at amortized cost Includes the amount of bonds payable that take the form of financial liabilities not included under other headings.

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

	Thousand of Euros	
	2012	**2011**
Payables	57,413	53,977
Guarantee deposits received	191,100	4,813
Clearing houses	6,978	14,004
Tax collection accounts	88,697	52,018
Special accounts	14,200	11,585
Financial guarantees (Notes 3.6 and 9)	15,388	8,455
Other items	93,229	31,638
Total	**467,005**	**176,490**

8. Asset and liability hedging derivatives

This caption in the accompanying consolidated balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4.

At 31 December 2012 and 31 December 2011, the fair value of asset derivatives totalled 192,657 and 161,810 thousand Euros, respectively, and the fair value of liability derivatives totalled 9,898 and 14,900 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 2012 and 2011 are set out below by counterparty, remaining term and type of risk:

	Thousands of euros					
	Notionals		Fair value			
			Assets		Liabilities	
	2012	2011	2012	2011	2012	2011
By counterparty						
Resident credit institutions	869,835	705,813	26,836	161,448	5,526	2,947
Non-resident credit institutions	1,805,607	1,816,525	165,185	-	574	4,057
Other resident financial institutions	80,420	147,450	555	362	593	2,976
Other non-resident financial institutions	19,250	19,250	81	-	-	501
Rest of resident sectors	471,269	358,032	-	-	3,205	4,419
Rest of non-resident sectors	-	-	-	-	-	-
Total	**3,246,381**	**3,047,070**	**192,657**	**161,810**	**9,898**	**14,900**
By term to maturity						
Up to 1 year	59,367	140,058	326	255	548	1,682
More that 1 year and up to 5 years	3,187,014	2,907,012	192,331	161,555	9,350	13,218
More than 5 years	-	-	-	-	-	-
Total	**3,246,381**	**3,047,070**	**192,657**	**161,810**	**9,898**	**14,900**
By type of hedged risk						
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	2,276,425	2,375,606	191,460	161,315	238	1,550
Share risk	969,956	671,464	1,197	495	9,660	13,350
Credit risk	-	-	-	-	-	-
Other risks	-	-	-	-	-	-
Total	**3,246,381**	**3,047,070**	**192,657**	**161,810**	**9,898**	**14,900**

9. Contingent risks

The breakdown of contingent risks at the end of 2012 and 2011, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousands of euros	
	2012	2011
Guarantees:		
Financial sureties	258,286	190,064
Other financial guarantees	-	-
Assets earmarked for third-party obligations	-	-
Irrevocable letters of credit:		
Issued	18,209	19,491
Confirmed	-	-
Additional settlement guarantee	-	-
Other granted sureties and securities	502,866	343,033
Other contingent exposures	683,948	181,007
Total	**1,463,308**	**733,595**

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 2012 and 2011 totalled a 39,851 and 29,470 thousand Euros, respectively (Notes 7.7.f and 15).

The present value of future flows yet to be received for these contracts is 38,935 thousand Euros in 2012 and 32,715 thousand Euros in 2011.

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 13,012 thousand Euros and 4,413 thousand Euros in 2012 and 2011, respectively (Note 16).

The balance at 31 December 2012 under "Other contingent risks" totals 683,948 thousand Euros (181,007 thousand at 31 December 2011), 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 20112 and 2011 are as follows:

	Thousands of euros	
	2012	2011
Tangible assets for own use	41,796	30,546
Investment properties	4,949	-
Other assets leased out under an operating lease	-	-
Assets awarded in foreclosure	432,149	201,959
Asset impairment adjustment (Notes 14 and 25)	(86,598)	(20,086)
Investment	-	-
Total	**392,296**	**212,419**

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

	Thousands of euros							
	Residential		Industrial		Agricultural		Other	
Tangible assets	2012	2011	2012	2011	2012	2011	2012	2011
Tangible assets for own use	4,627	2,714	36,524	27,397	645	435	-	-
Foreclosed	313,713	129,083	108,852	66,405	9,584	6,022	-	449
Investmente Properties	4,949	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**323,289**	**131,797**	**145,376**	**93,802**	**10,229**	**6,457**	**-**	**449**

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

The fair value of the tangible assets recorded in this caption at 31 December 2012 and 2011, matches the book value.

Details of movement recorded in these captions on the consolidated balance sheet, without taking into account impairment losses, during 2012 and 2011, are as follows:

	Thousands of euros		
	Tangible assets For own use	**Foreclosed**	**Investments**
Balance at 31 December 2010	**20,721**	**97,315**	**-**
Additions	167	93,524	-
Disposals	(6,118)	(16,156)	-
Incorporation of CRCastellon	-	10,169	-
Transfers	15,776	17,107	-
Balance at 31 December 2011	**30,546**	**201,959**	**-**
Additions	3,332	139,546	679
Disposals	(2,165)	(30,252)	-
Incorporation of Ruralcaja	3,005	91,084	2,732
Incorporation of entities from Grupo Cooperativo	5,390	69,701	972
Transfers (Notes 12 y 15)	1,688	(34,578)	946
Reclasification transfers	-	(5,311)	-
Balance at 31 December 2012	**41,796**	**432,149**	**5,329**
<u>Accumulated depreciation</u>			
Balance at 31 December 2010	**-**	**-**	**-**
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
Balance at 31 December 2011	**-**	**-**	**-**
Additions	-	-	-
Disposals	-	-	-
Incorporation of Ruralcaja	-	-	(144)
Incorporation of entities from Grupo Cooperativo	-	-	(80)
Transfers (Notes 12 y 15)	-	-	(156)
Balance at 31 December 2012	**-**	**-**	**(380)**

In 2012 the Group transferred certain assets for its own use and investment properties, mainly commercial premises, to this heading for a net amount of 1,688 thousand Euros (15,776 thousand Euros in 2011) and the carrying value is expected to be recovered upon disposal. Transfers for 34,578 thousand Euros to foreclosing assets belong mainly to the reclassification of property investments, similarly in 2011 transfers by 17,107 thousand Euros belong mainly to the reclassification of assest from real state investments.

At 31 December 2012 eliminations from sales total 30,252 thousand Euros in foreclosed assets and 2,165 thousand Euros in tangible assets for own use (16,156 thousand Euros and 6,118 thousand Euros, respectively at 31 December 2011)

In 2012 loans have been granted to finance the sale of property, plant and equipment foreclosed by the Group totalling 12,742 thousand Euros (13,149 thousand Euros in 2011). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2012 was 55.55%. There are gains pending recognition on the sale of these assets at 31 December 2012 and 31 December 2011 totalling 150 thousand Euros.

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

	Thousands of euros		
	Tangible assets For own use	**Foreclosed**	**Investments**
Imapairment losses			
Balance at 31 December 2010	**(214)**	**(10,192)**	**-**
Additions	(161)	(14,346)	-
Disposals	-	1,012	-
Incorporation of C.R. Castellon	-	(1,417)	-
Cancelations for uses, tranfers and others	-	5,232	-
Balance at 31 December 2011	**(375)**	**(19,711)**	**-**
Additions	-	(42,268)	-
Disposals	-	472	-
Incorporation of Ruralcaja	(545)	(15,254)	-
Incorporation of entities from Grupo Cooperativo	-	(12,494)	
Other movements, transfers or uses	-	(1,734)	-
Reclasification transfers	-	5,311	-
Balance at 31 December 2012	**(920)**	**(85,678)**	**-**

Additional cover for impairment of property, plant and equipment classified as foreclosed assets amounts to €31,855 thousand. In addition, the balances included under this heading and for this item prior to the date of acquisition and inclusion in the Group by Caja Rural del Mediterráneo,Sociedad Cooperativa de Crédito and the entities making up the former Cajas Rurales del Mediterráneo Cooperative Group amount to €6,132 thousand and € 3,346 thousand, respectively (Notes 1.5 and 1.6).

11. Investments

This caption from the accompanying consolidated balance sheets corresponds to the value of shareholdings in associates whose details, together with important information at 31 December 2012 and 2011 are included in Appendix I.

	Thousands of euros	
	2012	**2011**
Investments		
Associates	61,734	50,414
Jointly controlled entities	-	-
Total	**61,734**	**50,414**

At year-end 2012 and 2011, the “Investments” caption reflected the value of investments accounted for by the equity method and had the following movements:

	Thousands of euros	
	2012	**2011**
Opening balance	**50,414**	**61,272**
Additions through transfers, purchases and capital increases	10,557	1,127
Sales of shareholdings and return of contributions	(8,532)	(10,323)
Disposals through transfer of shareholdings and removals from scope	-	-
Result from the equity method	9,601	7,665
Other consolidation activity	(306)	(9,327)
Closing balance	**61,734**	**50,414**

Details of investments at 31 December 2012 y al 31 December de 2011 is as follows:

	Thousands of euros	
	2012	2011
Cultipeix, S.L.	-	7
Acuariums de Almería, S.L	-	1
Occidental Arroyomolinos, S.L	-	230
Inversiones Turísticas y Hoteleras Inmo, S.L	236	-
Cajamar Vida, S.A. de seguros y reaseguros	24,703	23,033
Agrocolor, S.L	509	572
Parque de Innovación y Tecnológico de Almería, S.A.	4,022	4,378
Murcia Emprende, S.C.R, S.A.	1,317	1,137
Sabinal Agroservicios, S.L.	24	23
Tino Stone Group	-	503
Banco Inversis, S.A.	8,656	-
Biocolor, S.L.	301	338
Savia Biotech, S.A.	49	232
Proyecta Ingenio, S.L.	30	42
Cajamar Seguros Generales, S.A	3,181	3,012
Apartamentos Media Luna	16,804	16,906
Balsa Insa, S.L.	1,901	-
Total	**61,734**	**50,414**

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

Additions in 2011 relate to the payment for previously unpaid shares in the company Cajamar Seguros Generales, S.A. de Seguros y Reaseguros in the amount of 1,127 thousand Euros.

In 2004, 50% of the share capital of Cajamar Vida, S.A. de Seguros y Reaseguros, was sold to Generali España, Holding de Entidades de Seguros, S.A. and the Entity kept the remaining 50% of the shares. In accordance with the share purchase agreement, the overall price for the shares, which will be determined in 2019, will be adjusted based on the volume of business generated by Cajamar Vida over the coming 15 years. The overall price consists of a fixed price of 9,508 thousand Euros that was collected in 2004 and a variable price that will be calculated based on the value of the business and the net value of the assets in 2019.

On 14 April 2011, an amending novation agreement was concluded, guaranteeing an additional initial price of 94 million Euros, of which 50 million Euros was collected at the signing date and the remainder will be collected in years three, five and seven of the agreement. The variable payment calculation was also modified and will be determined based on the appraisal value of Cajamar Vida, S.A. de Seguros y Reaseguros, to be calculated as stated in the agreement; payment will fall due at the end of year fifteen as from the novation date, provided the business reaches a certain minimum value.

The novation agreement includes cross options, a purchase option for the Entity on the shares sold and a sale option on these shares for Generali España, *Holding de Entidades de Seguros, S.A.*

The results obtained due to the value change were recognised in "Gains or losses on financial assets and liabilities (net)", segregating the financial yield. In 2011, value changes recognised in respect of the variable price until the date of novation, when they were absorbed by the new fixed price, and recognized as "Gains or losses on financial assets and liabilities", in the amount of 68,923 thousand Euros (Note 25). However, no profit has been recorded during 2012, due to the need of truthworthyness and contrast of the calculations made, for its reconning, and without prejudy of former recognisition once the calculations are verified by the entity that is carrying them out.

The results in "Shareholdings" in entities measured using the equity method at 31 December 2012 and 2011 totalled 9,601 and 7,665 thousand Euros, respectively (Note 25).

The heading "Customer loans - Measurement adjustments" at 31 December 2012 and 2011 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 2012 and 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Own use	764,460	488,837
Investment properties	150,278	123,510
Other assets leased out under an operating lease	-	-
Assigned to the Education and Development Fund (Note 21)	8,659	2,239
Impairment adjustments	(16,218)	(5,850)
Total	**907,179**	**608,736**

The breakdown of tangible assets for own use recorded under this caption on the consolidated balance sheet and the movements during 2012 and 2011, 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 2010	**106,247**	**270,681**	**298,027**	**74,648**	**8,014**	**757,617**
Additions	8,179	11,990	4,930	21,936	-	46,774
Disposals	(1,164)	(6,214)	(1,117)	(268)	(69)	(8,832)
Incorporation of CRCastellon	2,690	4,446	11,850	-	-	18,986
Transfers	2,816	6,753	52,065	(64,677)	5,437	2,655
Balance at 31 December 2011	**118,768**	**287,656**	**365,755**	**31,639**	**13,382**	**817,200**
Additions	7,019	7,637	4,464	24,922	-	44,042
Disposals	(187)	(12,406)	(261)	-	-	(12,854)
Incorporation of Ruralcaja	32,038	89,846	146,343	6,287	-	274,514
Incorporation of entities of Grupo Cooperativo	19,177	54,349	97,590	796	-	171,912
Additions to the scope	-	-	-	-	-	-
Transfers	1,034	1,269	20,996	(13,664)	-	9,635
Balance at 31 December 2012	**177,849**	**428,351**	**634,887**	**49,980**	**13,382**	**1,304,449**
Accumulated Depreciation						
Balance at 31 December 2010	**(84,187)**	**(177,220)**	**(35,270)**	**-**	**(342)**	**(297,018)**
Additions	(7,642)	(19,149)	(4,757)	-	(51)	(31,599)
Disposals	1,161	4,715	1,011	-	37	6,924
Incorporation of CRCastellon	(2,398)	(2,817)	(926)	-	-	(6,141)
Transfers	(393)	305	497	-	(938)	(529)
Balance at 31 December 2011	**(93,459)**	**(194,166)**	**(39,445)**	**-**	**(1,294)**	**(328,363)**
Additions	(8,826)	(20,337)	(6,124)	-	(131)	(35,418)
Disposals	1,182	9,610	1,080	-	-	11,872
Incorporation of Ruralcaja	(29,910)	(66,103)	(20,312)	-	-	(116,325)
Incorporation of entities of Grupo Cooperativo	(18,522)	(40,898)	(11,978)	-	-	(71,398)
Transfers	-	-	(309)	-	(48)	(357)
Balance at 31 December 2012	**(149,535)**	**(311,894)**	**(77,088)**	**-**	**(1,473)**	**(539,989)**

	Thousands of euros					
For own use	**IT equipment**	**Furniture, Fixtures and Other**	**Buildings**	**Buildings under construction**	**Other**	**TOTAL**
Impairment losses						
Balance at 31 December 2010	**-**	**-**	**(195)**	**-**	**-**	**(195)**
Incorporation Entities Grupo Cooperativo	-	-	(275)	-	-	(275)
Additions	-	-	(42)	-	-	(42)
Disposals	-	-	-	-	-	-
Write-offs due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2011	**-**	**-**	**(512)**	**-**	**-**	**(512)**
Additions	-	-	(738)	-	-	(738)
Disposals	-	-	-	-	-	-
Write-offs due to use, transfers and others	-	-	-	-	-	-
Balance at 31 December 2012	**-**	**-**	**(1,250)**	**-**	**-**	**(1,250)**

The breakdown of investment properties, operating leases and assets assigned to the Education and Development Find recorded under this caption on the consolidated balance sheet and the movements during 2012 and 2011, in this caption, are as follows:

	Thousands of euros			
	Investment properties		**Assigned to the Education and Development Fund**	
	Buildings	Properties, plots and sites	Furniture and Fixture	Property
Cost				
Balance at 31 December de 2010	**130,403**	**23,592**	**2,177**	**3,768**
Additions	5,144	89	-	7
Disposals	(5,824)	(242)	(26)	(97)
Incorporation of CRCastellon	4,385	210	493	352
Transfers	(26,860)	(1)	-	1
Balance at 31 December de 2011	**107,248**	**23,648**	**2,644**	**4,031**
Additions	31,337	3	70	1
Disposals	(4,636)	-	(2)	-
Incorporation of Ruralcaja	5,725	-	1,069	3,595
Incorporation of entities of Grupo Cooperativo	11,815	463	2,089	4,401
Transfers	(14,096)	3,035	-	-
Transfer reclassification	(4,698)	-	-	-
Balance at 31 December de 2012	**132,695**	**27,149**	**5,870**	**12,028**
Accumulated Depreciation				
Balance at 31 December de 2010	**(5,578)**	**(302)**	**(1,780)**	**(1,985)**
Additions	(2,295)	-	(69)	(88)
Disposals	385	-	19	31
Incorporation of CRCastellon	(138)	-	(445)	(119)
Transfers	541	-	-	-
Balance at 31 December 2011	**(7,085)**	**(302)**	**(2,275)**	**(2,161)**
Additions	(2,231)	-	(64)	(87)
Disposals	288	34	2	-
Incorporation of Ruralcaja	(216)	-	(980)	(703)
Incorporation of entities of Grupo Cooperativo	(570)	-	(1,773)	(1,198)
Transfers	516	-	-	-
Balance at 31 December 2012	**(9,298)**	**(268)**	**(5,090)**	**(4,149)**

	Investment properties		**Assigned to the Education and Development Fund**	
	Buildings	Properties, plots and sites	Furniture and Fixture	Property
Impairment losses				
Balance at 31 December de 2010	**(2,818)**	**-**	**-**	**-**
Additions	(3,230)	(36)	-	-
Disposals	921	-	-	-
Incorporation of CRCastellon	(175)	-	-	-
Transfers	-	-	-	-
Balance at 31 December 2011	**(5,302)**	**(36)**	**-**	**-**
Additions	(14,459)	-	-	-
Disposals	240	-	-	-
Incorporation of Ruralcaja	(109)	-	-	-
Transfers	-	-	-	-
Transfer reclassification	4,698	-	-	-
Balance at 31 December 2012	**(14,932)**	**(36)**	**-**	**-**

In 2012 sales and write-offs of certain property, plant and equipment generated gains totalling 3,110 thousand Euros (2,886 thousand Euros at 31 December 2011) and losses totalling 12,669 thousand Euros (8,304 thousand Euros at 31 December 2011) (Note 25).

At 31 December 2012 and 31 December 2011 the Lead Entity had yet to recognize 9,363 thousand Euros from the financing of sale transactions 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 2012 the Group has commitments to acquired assets totalling 1,659 thousand Euros (2,694 thousand Euros at 31 December 2011)

Fully depreciated assets still in use by the Group at 31 December 2012 totalled 288,248 thousand Euros (169,620 thousand Euros at 31 December 2011).

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

Revenues deriving from rent from property investments in 2012 and 2011 totalled 5,855 thousand Euros and 5,349 thousand Euros (Note 25), respectively. In addition, the operating expenses relating to these investments totalled 283 thousand Euros and 429 thousand Euros (Note 25), respectively.

13. Intangible Assets

Details of this caption on the accompanying consolidated balance sheets at 31 December 2012 and 2011 are as follows:

	Thousands of euros		
	Estimated useful life	**2011**	**2010**
With indefinite useful life	-	**113,304**	-
With finite useful life:	-	**128,335**	**117,579**
Computer applications	3 - 10 años	105,076	94,519
Administrative concessions	35 años	18,406	18,492
Other intangible assets	3 - 10 años	4,853	4,568
Gross total		**241,639**	**117,579**
Of which:			
Developed in-house	3 - 10 años	4,853	5,370
Other	3 - 35 años	236,786	112,209
Accumulated depreciation	-	(83,654)	(74,932)
Impairment losses	-	(5,999)	-
Net total		**151,986**	**42,647**

The movement of the intangible assets with a finite useful life included in this caption on the consolidated balance sheet throughout the years 2012 and 2011 has been as follows:

	Thousands of euros	
	2012	**2011**
Cost		
Opening balance	**117,579**	**107,868**
Additions	10,385	11,476
Disposals	(257)	(2,104)
Incorporation of Entities Grupo Cooperativo	628	10
Other	-	329
Ending Balance	**128,335**	**117,579**
Depreciation and amortisation		
Opening balance	**(74,932)**	**(67,442)**
Additions	(8,609)	(7,171)
Disposals	-	40
Incorporation of Entities Grupo Cooperativo	(113)	(9)
Other	-	(350)
Ending Balance	**(83,654)**	**(74,932)**
Impairment		
Opening balance	**-**	**-**
Additions	(5,999)	-
Disposals	-	-
Other	-	-
Ending Balance	**(5,999)**	**-**
Total Net	**38,682**	**42,647**

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

As mentioned in note 1.5 the business combination was recognised using provisional values and the Entity is in the process of assessing the goodwill and other intangible assets. Therefore that goodwill has not been tested for impairment.

Fully amortized intangible assets still in use by the Group at 31 December 2012 totalled 66,221 thousand Euros (56,061 thousand Euros at 31 December 2011).

In 2012 there have not been any write-off assets, (118 thousand Euros at 31 December 2011) (Note 25).

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

14. Measurement adjustments for the impairment of other assets

Details of the movements in non-financial asset impairment adjustments during 2012 and 2011 are as follows:

Year 2012	Thousands of euros				
By type of asset	**Tangible assets- Investment properties**	**Non-current assets held for sale**	**Intangible assets and goodwill**	**Inventories**	**Total**
Opening balance - specific provision	**(5,338)**	**(20,086)**	**-**	**(181,184)**	**(206,608)**
Incorporation of Ruralcaja	(110)	(15,799)	-	(839)	**(16,748)**
Incorporation of entities of Grupo Cooperativo	-	(12,494)		(110,409)	**(122,903)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(14,459)	(42,268)	(13,959)	(280,175)	**(350,861)**
Recovered funds (Notes 10, 12, 15 and 25)	240	472	-	618	**1,330**
Write-offs due to use, transfers and others	4,698	3,577	-	31,270	**39,545**
Closing balance - specific provision	**(14,969)**	**(86,598)**	**(13,959)**	**(540,719)**	**(656,245)**

Year 2011	Thousands of euros				
By type of asset	**Tangible assets- Investment properties**	**Non-current assets held for sale**	**Intangible assets and goodwill**	**Inventories**	**Total**
Opening balance - specific provision	**(2,818)**	**(10,406)**	**-**	**(133,184)**	**(133,184)**
Incorporation of CRCastellon	(450)	(1,417)	-	-	**(742)**
Charges to profit and loss for the year (Notes 10, 12, 15 and 25)	(4,043)	(14,507)	-	(47,586)	**(47,586)**
Recovered funds (Notes 10, 12, 15 and 25)	777	1,012	-	2,615	**2,615**
Write-offs due to use, transfers and others	1,196	5,232	-	(3,029)	**(3,029)**
Closing balance - specific provision	**(5,338)**	**(20,086)**	**-**	**(181,184)**	**(181,926)**

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 2012 and 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Other Assets:		
Prepayment and accrued income	16,258	5,660
Inventories:		
Amortised cost	1,399,068	990,021
Asset impairment adjustments (Note 14)	(540,719)	(181,184)
Other:		
Net assets in pension funds (Note 14)	2,593	3,141
Operations in transit	22,729	11,014
Other items	143,889	34,460
Total	**1,043,818**	**863,112**
Other liabilities:		
Prepayment and accrued income	27,736	19,427
Other:		
Operations in transit	10,672	7,307
Other items	295,833	191,895
Total	**334,241**	**218,629**

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 2012 and 2011, is as follows:

Cost	**2012**	**2011**
Opening Balance	**990,021**	**793,213**
Additions	435,716	255,664
Disposals	(38,720)	(50,166)
Incorporation of Ruralcaja	7,230	-
Incorporation of entities of Grupo Cooperativo	2,968	-
Transfers (Notes 10 y 12)	33,123	(8,690)
Transfer reclassification	(31,270)	-
Ending Balance	**1,399,068**	**990,021**

	Thousands of euros	
Impairment	**2012**	**2011**
Opening Balance	**(181,184)**	**(133,184)**
Additions	(280,175)	(44,970)
Disposals	618	-
Incorporation of Ruralcaja	(839)	-
Incorporation of entities of Grupo Cooperativo	(110,409)	(3,030)
Transfers	-	-
Transfer reclassification	31,270	-
Ending Balance	**(540,719)**	**(181,184)**

The fair value of inventories recorded under this caption at 31 December 2012 and 2011 matches the book value.

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

16. Provisions

Details of this caption on the consolidated balance sheets at 31 December 2012 and 2011 are as follows:

	Thousands of euros	
	2012	2011
Pension fund and similar obligations (Note 3.20)	18,566	21,952
Provisions for taxes and other legal contingencies	1,536	-
Provisions for contingent exposures and commitments (Note 9)	13,012	4,413
Other provisions	158,234	5,496
Total	**191,348**	**31,861**

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	
	2012	2011
Other assets - Net assets in pension plans (Notes 3.20 and 15)	2,593	3,141
Provisions – Pension fund and similar obligations (Note 3.2)	18,566	21,952

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					
	2012			2011		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
Current value of obligations:						
Commitments to active staff	48,305	-	1	30,461	-	1
Commitments to early-retired staff	-	33,396	-	-	21,951	-
Commitments to retired personnel	1,002	-	-	12,611	-	-
Fair value of plan assets (-):						
Pension Plan Assets	(21,068)	-	-	(14,122)	-	-
Insurance Policy	(31,386)	(14,831)	-	(28,000)	-	-
Actuarial profit not recognised on the balance sheet (+)	2	-	-	-	-	-
Actuarial losses not recognised on the balance sheet (-)	(422)	-	-	(3,549)	-	-
Cost past services not yet recognised on the balance sheet (-)	(528)	-	-	(634)	-	-
Other assets not recognised on the balance sheet	1,502	-	-	92	-	-
(Other assets) / Provisions recognised on the balance sheet	**(2,593)**	**18,565**	**1**	**(3,141)**	**21,951**	**1**

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

	Thousands of euros					
	2012			2011		
	Active and retired personnel	Early retirement	Other commitments	Active and retired personnel	Early retirement	Other commitments
(Other assets) / Provisions opening balance for the year	**(3,067)**	**21,086**	**1**	**(3,317)**	**26,785**	**140**
Incorporation Entities Grupo Cooperativo	(692)	2,621	-	-	-	-
Incorporation of Ruralcaja	(89)	-	-	-	-	-
Incorporation of CR Castellón	(74)	865	-	(86)	865	-
Incorporation of Caja Campo	-	-	-	-	-	-
Dotaciones del ejercicio	2,331	2,114	-	1,383	626	-
Recovered funds	18	-	-	-	-	-
Other movements	(41)	-	-	194	-	(139)
Cash outflow	(979)	(8,121)	-	(1,315)	(6,325)	-
(Other assets) / Provisions closing balance for the year	**(2,593)**	**18,565**	**1**	**(3,141)**	**21,951**	**1**

The breakdown of total expenses and income recognised on the consolidated income statement in relation to pensions during 2012 and 2011, distributed between the different items, is as follows:

	Thousands of euros	
	2012	2011
Personnel expenses (ordinary cost for the period) (Note 25)	(2,094)	(2,494)
Interest expense and similar charges (cost of interest) (Note 25)	(2,627)	(2,411)
Interest and similar earnings (earnings from Plan assets) (Note 25)	2,111	1,482
Provisions (Note 25):		
Payment to pensioners	(15)	(21)
Actuarial gains and losses	(1,698)	318
Cost of past services	(106)	(106)
Other (settlement reduction effect)	(32)	265
Accounting (expense)/income	**(4,460)**	**(2,967)**

The contributions for defined benefit pension commitments made by the Group in 2012 and 2011 to the external pension plan totalled 7,733 thousand Euros and 7,255 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 2012 and 2011 are as follow:

	Thousands of euros			
	Specific Hedges	Sub-prime Hedges	General Hedges	Total
Balance at 31 December 2010	2,635	-	2,441	5,076
Provisions (Note 25)	1,920	-	405	**2,325**
Recoveries (Note 25)	(1,076)	-	(2,090)	**(3,166)**
Incorporation Entities Grupo Cooperativo	45	-	122	**167**
Other movements	11	-	-	**11**
Balance at 31 December 2011	3,535	-	878	4,413
Provisions (Note 25)	5,241	2,113	1,067	**8,421**
Recoveries (Note 25)	(1,658)	-	(913)	**(2,571)**
Incorporation of Ruralcaja	2,428	-	-	**2,428**
Incorporation Entities Grupo Cooperativo	195	75	477	**747**
Other movements	(428)	-	2	**(426)**
Balance at 31 December 2012	9,313	2,188	1,511	13,012

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 2012 and 2011 is as follows:

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

Year 2011	Thousands of euros			
	Market	Sundry	Other responsibilities	Total
Opening balances	**4,623**	**6,251**	**2,347**	**13,221**
Provisions (Note 25)	-	103	13,485	**13,588**
Incorporation of Caja Campo	-	-	-	**-**
Incorporation Entities Grupo Cooperativo	-	-	-	**-**
Recovered funds (Note 25)	(7,435)	(6,316)	(6,876)	**(20,627)**
Funds used and other changes	2,812	-	(3,498)	**(686)**
Closing balances	**-**	**38**	**5,458**	**5,496**

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.

At 31 December 2012 the Group was negotiating with the trade union representatives a Collective Restructuring and Merger Agreement and Employment Framework which includes redundancy proceedings affecting a maximum of 736 employees and under which the most important measure is a voluntary early retirement plan for those employees who are at least 55 years old (53 years old for those employees in the Autonomous Region of Valencia). In order to adequately cover the commitments deriving from that agreement, a provision for other liabilities and charges has been recognised amounting to €144,364 thousand in 2012, of which €54,179 thousand relates to transfers in the parent company, €48,042 thousand to balances included of the merged entity Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito and €42,103 thousand to the entities of the Cajas Rurales Unidas Cooperative Group.

The amendment for the Lead Entity was aproved on the 27 December 2012 by the Governing Board and it was issued by the Boar of the entity. After that, on 21 January 2013 it was subscribed by the Directors of the Entity and the representation of the workers the so called Acuerdo Colectivo de Reestructuración for the rest of the Cooperative Group.

17. Minority interests

Details of this caption on the accompanying consolidated balance sheets at 31 December 2012 and 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Parque industrial Acceso Sur, S.L.	835	-
Total	**835**	**-**

18. Measurement adjustments to equity

The balance of this heading relates to the account "Available-for-sale financial assets" in the accompanying consolidated balance sheets and records the net amount of changes in the fair value of the assets classified as available for sale that, in accordance with Note 3.1, must be included as part of the Group's equity (Note 7.4.d).

The movement during the years 2012 and 2011 is as follows:

	Thousands of euros	
	2012	**2011**
Opening balance	**(14,290)**	**(22,194)**
Net changes in the fair value of debt securities	56,597	9,372
Net incorporation of debt securities from Entities of Grupo Cooperativo	(4,203)	(4,231)
Net incorporation of debt securities from Ruralcaja	(371)	-
Net changes in the fair value of equity instruments	6,190	(146)
Net incorporation of equity instruments from Entities of Grupo Cooperativo	2,212	537
Net incorporation of equity instruments from Ruralcaja	847	-
Sale of available-for-sale financial assets	(61,058)	2,628
Net changes of entities accounted for by the equity method	1,147	(256)
Closing balance	**(12,929)**	**(14,290)**

Changes in the fair value of debt securities relate to the recognition of fair value, net of the tax effect, of fixed-income securities and the changes in the fair value of equity instruments relates to restatements, net of the tax effect, of equity instruments measured at fair value.

The breakdown of valuation adjustments by Group company at 31 December 2012 and 31 December 2011 is as follows:

	Thousands of euros	
	2012	2011
Cajas Rurales Unidas, S.C.C	(11,806)	(6,596)
Sunaria Capital, S.L.	53	-
Cajamar Vida, S.A. de Seguros y Reaseguros	11	(1,325)
Banco Inversis, S.A.	(200)	-
Cajamar Seguros Generales, S.A.	16	4
Caja Rural de Castellón, C.C.V	-	(7,007)
Caja Rural de Casinos, S.C.C.	-	69
Caixa Rural Albalat Dels Sorells C.C.V.	-	41
Caja de Crédito de Petrel,Caja Rural, C.C.V.	(10)	633
Caixa Rural de Turís C.C.V.	28	(109)
Caja Rural de Canarias, S.C.C.	(1,843)	-
Caja Rural de Alginet, S.C.C.V.	42	-
Caja Rural San Roque de Almenara, S.C.C.V.	12	-
Caja Rural San Jose de Burriana, C.C.V.	(527)	-
Caixa Rural de Callosa de Sarria, C.C.V.	15	-
Caja Rural de Cheste, S.C.C.	78	-
Caja Rural la Junquera de Chilches, C.C.V.	12	-
Credit Valencia Caja Rural, C.C.V.	1,618	-
Caja Rural San José de Nules, S.C.C.V.	278	-
Caja Rural de Torrent, S.C.C.	419	-
Caja Rural San Isidro de Vilafamés, C.C.V.	5	-
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	(276)	-
Caja Rural de Villar, C.C.V.	(87)	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	(20)	-
Caixa Rural Vila-Real, S.C.C.	(747)	-
Total	**(12,929)**	**(14,290)**

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

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

	Thousands of euros	
	2012	2011
Opening balance:		
Capital booked under Equity (1)	1,398,437	1,070,741
Capital refundable on demand booked under Liabilities (2)	92	181,248
Total subscribed capital (1) + (2)	**1,398,529**	**1,251,989**
Increases	1,014,489	375,424
Decreases	(658,133)	(231,058)
Incorporation of Ruralcaja	251,850	-
Incorporation Entities Grupo Cooperativo	72,692	2,174
Closing balance:		
Total subscribed capital (3) + (4)	**2,079,427**	**1,398,529**
Capital booked under Equity (3)	2,079,427	1,398,437
Capital refundable on demand booked under Liabilities (4)	-	92

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

At 31 December 2012 the Governing Body of Grupo Cooperativo Cajamar has classified 75,679 thousand Euros (4,350 thousand Euros at 31 December 2011) relating to the various capital amounts held in the Entities participating in the Cooperative Group, except for the Lead Entity, as Group capital and reserves under the heading "Other equity instruments"

The capital relating to Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, as the Lead Entity of the Cooperative Group at 31 December 2012 totals 2,022,567 thousand Euros (1,394,087 thousand Euros at 31 December 2011), all of which is classified under equity. The Lead Entity's minimum share capital, according to Article 49 of the by-laws, is set at 25,000 thousand Euros and is variable and formed by mandatory contributions of 61 Euros each.

The contributions of members to the share capital of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, are represented by sequentially numbered registered shares. The total amount that a single member can contribute to share capital cannot exceed 2.5% for individuals and 5% for companies. At the end of 2012 the largest contribution equalled 0,002% of share capital (0.04% at the end of 2011).

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

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

With respect to the shareholders of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, the payment amounted to € 50,258 thousand, recognised in full against that entity's equity and up to 31 October 2012. With respect to the shareholders of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, €12,226 thousand was paid relating to the two month period 1 November 2012 to 31 December 2012, on account of the surplus resulting in that period. Finally, with respect to the shareholders from Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito, there is a payment obligation amounting to € 7,053 thousand, which should be submitted to the General Assembly of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, that will decide exactly how it should be applied.

Similarly, the surplus of Cajamar Caja Rural, Sociedad Cooperativa de Crédito for 2011 was applied to the advance payment of interest in that year amounting to € 43,249 thousand which had been paid on account at the year end (Note 5).

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

20. Reserves - Solvency

Details of the "Reserves" caption under "Equity" on the accompanying consolidated balance sheets at 31 December 2012 and 2011 are as follows:

	Thousands of euros	
Accumulated reserves	2012	2011
Mandatory Reserve Fund	1,265,040	1,141,869
Revaluation Reserves - Royal Decree-Law 7/1996	1,595	1,595
Revaluation Reserves generated by IFRS and Bank of Spain Circular 4/2004	65,526	65,589
Other reserves	(743)	(2,696)
Voluntary Reserve Fund	2,397	56,969
Reserves for investment in Canarias	23,976	-
Carryover	(16,597)	-
Consolidation Reserves	39,679	10,728
Total Reservas acumuladas	**1,380,873**	**1,274,054**
Reserves (losses) in entities accounted for by the equity method		
Associates	(3,186)	5,230
Jointly-controlled entities	-	-
Total reserves (losses) in entities accounted for by the equity method	**(3,186)**	**5,230**
Total Reserves	**1,377,687**	**1,279,284**

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 2012 and 2011 and it relates exclusively to the account "Revaluation Reserve Royal Decree-Law 7/1996", which derives from the restatement of some tangible assets in 1996 by the target company Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1). In 2011 1,219 thousand Euros were transferred, with no movement in 2012.

As from the date on which the balance of the account "Revaluation reserve Royal Decree-Law 7/1996" has been examined and agreed by the tax authorities or after the three year period for its inspection has elapsed, it may be used to offset losses arising in the current year or previous or future years or to increase the Company's share capital without accruing tax. This balance may be taken to freely distributable reserves provided that the monetary capital gain has been realised. The surplus will be deemed to have been realised in respect of the portion relating to the depreciation that has been taken for accounting purposes or when the revalued assets have been transferred or written off the accounting records. If the balance of this account is applied in any manner not permitted by Royal Decree-Law 7/1996, the balance becomes subject to taxation.

In the opinion of the Entity's Governing Board, once the established period has elapsed, the entire balance of this reserve will be taken to the Voluntary Reserve.

This reserve may be used to increase share capital, in which case it will not accrue taxes.

The revaluation reserves generated by the new legislation

The balance of this account relates to the reserve generated for the restatement of property, plant and equipment carried out in accordance with the provisions of IFRS 1, and Transitional Provision One, section B, of Bank of Spain Circular 4/2004, and subsequent amendments, according to which at 1 January 2004 any item included under property, plant and equipment may be stated at fair value, subject to some conditions.

In 2012 1,877 thousand Euros were transferred to voluntary reserves (4,349 thousand Euros in 2011).

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 2012 and 2011 is as follows:

	Thousand of Euros	
	2012	**2011**
Inversiones Turísticas y Hoteleras INMO, S.L.	29	(657)
Tino Stone Group, S.A.	(3,385)	(1,314)
Cultipeix, S.L.	(1,994)	(1,994)
Parque Innovación y Tecnología de Almería, S.A.	(389)	(362)
Cajamar Vida, S.A. de Seguros y Reaseguros	11,319	10,870
Apartamentos Media Luna S.L.	(523)	(52)
Banco Inversis	(4,433)	-
Balsa Insa, S.L.	(2,852)	-
Other associate entities	(958)	(1,261)
Total	**(3,186)**	**5,230**

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 2012 and 2011, equity and capital requirements for Cooperative Group, taking into account the distribution of results (Note 5), under the legislation applicable at those dates, are as follows:

	Thousand of Euros	
	2012	2011
Capital adequacy	2,276,594	2,559,454
Tier two eligible capital	210,674	133,420
Credits	(68,368)	(68,508)
Total eligible capital base	**2,418,900**	**2,624,366**
Total eligible capital requirements	**1,969,606**	**1,564,085**
Eligible capital surplus/deficit	**449,294**	**1,060,281**
Solvency ratio	**9.8%**	**13.4%**
Main capital figure	**2,265,080**	**2,560,510**
Main capital ratio	**9.2%**	**13.1%**

In compliance with the reporting requirements relating to Mixed Groups established by Chapter 13, Standard 124 of Bank of Spain Circular 3/2008 and subsequent amendments, , the Group has presented additional Capital Adequacy information for the Mixed Group, consisting of the Lead Entity and the participants Cajamar Vida, S.A. de Seguros y Reaseguros and Cajamar Seguros Generales, S.A. de Seguros y Reaseguros, the effect of which represents an increase of the surplus in equity over the minimums required by the aforementioned legislation totalling 12,326 thousand euros and 12,221 thousand euros at 31 December 2012 and 2011, respectively.

21. Promotion and Education Fund

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

The basic lines of application of the Education and Development Fund are as follows, in accordance with the provisions of the Entities' by-laws.

- The training and education of members and employees of the Entity with respect to cooperative principles and values, as well as the dissemination of the characteristics of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.

- The encouragement of action relating to the dissemination of cooperativism, cooperation and cooperative integration.

- Cultural, professional and assistance development at the local level or for the community in general, to contribute to the improvement of quality of life and social welfare.

- The participation in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Entity's action zones.

At the individual level, each credit Entity forming part of the Cooperative Group carries out their own activities financed by the Education and Development Fund and the most significant in 2012 and 2011 are as follows:

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

- The Cajamar Foundation's Studies Service was engaged in industry analyses and studies, reports and case studies, technical courses and seminars, promotion of financial education in values and sociocultural activities to foment knowledge of the production environment, and social development in the zones that form the Entity's sphere of influence

- Activities relating to the disclosure and sharing of knowledge through the organisation of technical meetings, seminars and courses aimed at farmers and agricultural technicians providing advisory services to the sector. Support services, farmers and food and agricultural companies interested in making new investments in order to include new production technologies. Performance of socio-economic studies and publication of materials related to food and agricultural activities and the economy in general. Through our foundations, education and environmental awareness projects have been carried out together with environmental regeneration work on degraded land, through collaboration with teaching centres.

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

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

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

- Support for universities continued, the most relevant aspects being the renewal of the collaboration agreement with Almería University so as to maintain and strengthen the Entity's commitment to basic and applied research, improved training and job-market insertion for university students, as well as the province's economic, social and cultural progress.

The management of the Education and Development Fund falls to the Governing Bodies of participating entities, or to the persons delegated by them with respect to specific actions. Its members prepare a budget proposal based on the purposes established in the basic lines of application and it is submitted for the approval of the General Assemblies at the ordinary meeting held each year.

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 2012 and 2011, is the following:

	Thousand of Euros	
	2012	**2011**
Application of the Education and Development Fund		
Tangible assets:	**8,659**	**2,239**
Cost	17,898	6,675
Accumulated depreciation	(9,239)	(4,436)
Asst impairment adjustments	-	-
Other debtor balances	**-**	**43**
Total	**8,659**	**2,282**
Education and Development Fund		
Appropriation:	12,976	5,623
Applied to tangible assets (Note 12)	7,935	2,195
Applied to other investments	458	60
Expense commitments undertaken during the year	14,743	12,221
Maintenances expenses for the year in progress	(11,401)	(10,466)
Amount not committed to	1,241	217
Surplus	-	1,396
Revaluation reserves	1,316	-
Other liabilities	1,388	(1)
Total	**15,680**	**5,622**

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 2012 and 2011 is as follows:

	Thousand of Euros	
	2012	**2011**
Opening balance	**5,622**	**4,275**
Distribution of previous year surplus	338	1,159
Extraordinary allocation againts reserves	10,500	10,500
Incorporation of Ruralcaja	4,320	-
Incorporation of Cooperative Group Entities	5,123	517
Maintenance expense for the year	(11,401)	(10,466)
Other	1,178	(363)
Closing balance	**15,680**	**5,622**

22. Related party transactions

In the case of risk transactions involving related parties the Lead Entity has developed procedures for the granting, authorisation and monitoring of this type of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

In 2012 and 2011 no significant transactions were carried out and none took place under non-market conditions with parties related to the Group.

At 31 December 2012 and 2011, the Parent's balances generated as a result of transactions with associated parties are as follows:

	Thousands of euros							
	Associates		Other related entities		Board Members and Directors			
	2012	2011	2012	2011	2012	2011	2012	2011
					Direct		Indirect	
ASSETS								
Loans	27,941	28,961	120,792	46,843	4,228	3,574	33,431	84,291
Deposits to Group Entities	-	-	14,080	4,745	-	-	-	-
Credit risk hedges (-)	(699)	(724)	(3,046)	(1,197)	(75)	(58)	(773)	(2,094)
Investments	42,605	22,099	-	-	-	-	-	-
Investment provisions (-)	(19,752)	(7,401)	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
LIABILITIES								
Term deposits	14,750	22,170	8,756	24,378	563	911	12,091	3,753
Deposits with group entities	-	-	199,091	30,952	-	-	-	-
Other demand deposits	40,443	38,972	11,535	5,746	296	388	1,282	12,466
MEMORANDUM ACCOUNTS								
Financial guarantees	2,269	3,156	16,900	2,932	43	-	220	1,322
Available	1,659	3,207	58,121	2,915	128	97	436	43,522
GAINS AND LOSSES								
Income:								
Interest and similar income	16	63	1,349	2,764	93	61	929	1,862
Income from variable income portfolio	-	-	-	-	-	-	-	-
Fee and commission income	96	185	285	17	4	1	38	151
Other products	372	2,029	-	-	-	-	-	-
Expenses:								
Interest and similar charges	723	1,257	1,737	4,062	43	44	510	201
Fee and commission expense	-	-	-	-	-	-	-	-
Other expenses	2	179	-	-	-	-	-	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2012 and 2011 with parties related to the Parent are as follows:

	Thousands of euros	
Outstanding balances	Related Parties	
	2012	2011
Loans:		
Amount	205,824	171,079
Interest rate	0,99% a 9,00%	0,99% a 10,00%
Guarantee	Personal and mortgage	Personal and mortgage
Term to maturity	1 to 40 years	1 to 40 years
Deposits:		
Amount	288,807	139,736
Interest rate	0,00% a 5,00%	0,01% a 7,55%
Term to maturity	1 to 2 years	1 to 4 years

23. Compensation for the Governing Body and Executives

The compensation accrued by members of the Governing Body that relates to per diems for attending meetings held by the Governing Body and its Committees was as follows in 2012 and 2011:

	Governing Board	Thousands of euros 2012	Thousands of euros 2011
	D. Juan De La Cruz Cárdenas Rodríguez	31	35
*	D. Luis de la Maza Garrido	26	33
	D. Francisco Góngora Cañizares	17	14
*	D. Angel Lirola Suarez	29	36
**	D. Pascual Ricardo Candel Martinez	6	-
**	D. Juan Carlos Rico Mateo	7	-
*	D. Jose Antonio Santorromán Lacambra	13	16
**	D. Luis Robledo Grau	6	-
**	Dª. Maria Luisa Trinidad Garcia	5	-
*	D. Jose Manuel Moreno Ferreiro	14	20
	D. Antonio Luque Luque	35	38
**	D. Maria Gador Villalobos Mejía	15	-
**	D. Jeronimo Molina Herrera	11	-
*	D. Francisco Belmonte López	12	12
*	D. Agustín Miguel Sánchez Martínez	12	16
*	D. Ramón Aliaga Carrión	12	12
*	D. Rodrigo Muñoz Rodríguez	10	10
**	D. Manuel Yebra Sola	5	-
**	D. Francisco Martinez-Cosentino Justo	4	-
*	D. Antonio Pita Reyes	30	35
*	D. José Sebastián Millaruelo Aparicio	-	4
**	D. Carlos Pedro De La Higuera Pérez	17	-
**	D. Francisco Javier Ramirez Arceo	13	-
	D. Francisco Lorente Brox	37	39
		396	**358**

* Dessist as members of the Cajamar Board and join the new Cajas Rurales Unidas Board
** Join as members of the new Cajas Rurales Unidas Board

Compensation for Executives in 2012 and 2011 is set out in the following table on an aggregate basis and these reports include compensation for four Executive Directors and three General Managers.

Directors	Nº of people 2012	Nº of people 2011	Fixed remuneration 2012	Fixed remuneration 2011	Variable remuneration 2012	Variable remuneration 2011	Other remuneration 2012	Other remuneration 2011	Social Security expenses 2012	Social Security expenses 2011	Compensation for termination of employment 2012	Compensation for termination of employment 2011	Post-employment benefits 2012	Post-employment benefits 2011
			Thousands of euros											
Directors	2	2	507	589	-	-	15	14	21	23	-	-	249	159
Members of the Governing Board	5	4	899	1,134	-	-	121	133	19	15	-	-	12	55
Total	**7**	**6**	**1,407**	**1,724**	**-**	**-**	**136**	**146**	**40**	**38**	**-**	**-**	**261**	**215**

At 31 December 2012 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 261 thousand Euros and the payments made in 2011 totalling 215 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 2012 and 2011, respectively, is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2012	2011	2012	2011
Current Taxes:	**28,057**	**15,528**	**25,081**	**16,877**
Timing differences:	**851,358**	**166,590**	**61,910**	**48,360**
Goodwill on asset acquisition	901	869	-	-
Impairment losses on available-for-sale financial assets	30,495	11,228	-	-
Pension funds and other insurance	6,134	5,201	-	-
Unpaid fees and commissions (BoS, 4/2004)	1,736	1,656	-	-
Early retirement and termination fund	55,844	5,621	-	-
Loan impairment losses	225,108	25,901	-	-
Funds and provisions made	6,693	1,380	-	-
Credit investment at fair value	18,195	15,944	-	-
Under-valuation of available-for-sale financial assets	5,956	5,046	-	-
Fair value of non-current assets held for sale	82	-	-	-
Business combination CRD	1,049	-	-	-
Other	2,869	3,859	-	-
Credit for losses to be offset from the year	495,210	76,844	-	-
Entitlements to deductions and allowances pending application	1,086	13,041	-	-
Revaluation of property	-	-	51,948	33,448
Revaluation of available-for-sale financial assets	-	-	2,191	824
Other revaluation reserves	-	-	323	
Other business combinations. Fair value loans and receivables and others	-	-	7,346	
Special depreciation and others	-	-	102	14,088
Total	**879,415**	**182,118**	**86,991**	**65,237**

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 2012 and 2011 is as follows:

	Thousands of euros			
	Assets		**Liabilities**	
	2012	**2011**	**2012**	**2011**
Balance at the beginning of the year	**166,590**	**145,333**	**48,360**	**41,266**
Castellón Incorporation	**-**	**3,104**	**-**	**2,041**
Grupo Cajas Rurales del Mediterraneo Incorporation	**84,244**	**-**	**13,041**	
Caja Rural del Mediterraneo Incorporation	**246,229**	**-**	**13,188**	
Adjustments from previous years	**(12,376)**	**(8)**	**(9,719)**	**42**
Income Tax of the year				
Impairment losses on available-for-sale financial assets	7,506	1,902	-	-
Goodwill	(58)	(59)	-	-
Pension funds and other insurance	61	308	-	-
Loans and receivables impairment losses	58,469	(8,234)	-	-
Credit investment and other at fair value	-	1,394	-	-
Unpaid fees and commissions (BoS, 4/2004)	(288)	(378)	-	-
Funds and provisions made	5,197	(4,197)	-	-
Early retirement and termination fund	22,430	(1,491)	-	-
Other	(647)	(1,650)	-	-
Credit for losses to be offset from the year	278,757	23,799	-	-
Entitlements to deductions and allowances	(13,751)	3,049	-	-
Revaluation of property	-	-	(984)	(179)
Special depreciation and others	-	-	(3,929)	2,791
Transfers and other				
Revaluation of available-for-sale financial assets	1,967	(3,055)	1,893	(1,328)
Other	7,028	6,773	60	3,727
Year end balance	**851,358**	**166,590**	**61,910**	**48,360**

There are no tax assets relating to positive temporary differences, tax-loss carry forwards or unrecorded tax credits for deductions at 31 December 2012 and 2011.

The reconciliation between the year's income and the taxable income corresponding to the years 2012 and 2011 is as follows:

	Thousands of euros	
	2012	**2011**
Accounting Result before taxes	**(1,278,433)**	**35,534**
Cancellation of consolidation adjustments	(52,106)	-
Adjusted Accounting Result before consolidation	**(1,330,539)**	**35,534**
Permanent differences:	**(80,977)**	**(44,244)**
Allocation to welfare funds	(4,041)	(340)
Mandatory Reserve Fund	(13,344)	(883)
Equity contributed capital	(62,484)	(43,249)
Other	(1,108)	228
Offsetting negative tax bases from previous periods	**-**	**-**
Adjusted Accounting Result	**(1,411,516)**	**(8,710)**
Temporary differences:	**384,912**	**(72,938)**
Impairment in available-for-sale financial assets	25,020	6,341
Goodwill	(230)	(230)
Pension Fund and other insurances	229	2,135
Impairment in loans and receivables	231,824	(47,320)
Non- accrued commission CBE 4/2001	(1,125)	(1,481)
Constituted funds and provisions	20,518	(16,425)
Early retirement fund	88,455	(5,839)
Revaluation in non-current assets held for sale	-	-
Other	(668)	118
Property revaluation	3,881	695
Depreciation and especial amortisation and other	17,008	(10,932)
Taxable income/loss	**(1,026,604)**	**(81,648)**
Tax Liability (30%-25%)	26,420	-
Tax deductions and credits	(9,681)	-
Tax credits and tax relief	(16,663)	-
Withholdings and payments on account	(613)	(628)
Other	-	-
Tax Payable/ (Accrual)	**(537)**	**(628)**

During 2012 the parent entity had two tax periods. For Cajamar Caja Rural,Sociedad Cooperativa de Crédito, the tax period ended on 31 October 2012. On 1 November 2012 the tax period of the new Entity, Cajas Rural Unidas,Sociedad Cooperativa de Crédito, resulting from the merger between Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito.

The breakdown of corporate tax included in the consolidated income statement at 31 December 2012 and 2011 is as follows:

	Thousands of euros	
	2012	**2011**
Tax Liability (30%-25%)	(357,704)	(5,172)
Tax deductions and credits	(2,926)	(3,049)
Adjustment Income Tax previous years	17,302	(2,575)
Current Income tax	**(343,328)**	**(10,796)**

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 2012 and 2011 the Group charged the following amounts against its consolidated equity (deferred taxes), as follows:

	Thousand of Euros	
	2012	**2011**
Revaluation of Tangible Assets	51,948	31,773
Variable Income Securites at Fair Value (Note 7.4.d.)	(5,956)	452
Fixed Income Securites at Fair Value (Nota 7.4.d.)	2,191	(4,675)
Fair value of creditinvestments and non-currentassets for sale	(18,195)	(14,806)

Movements in corporate income tax expenses and revenues reflected in the statement of recognised revenues and expenses totalling 564 thousand Euros at 31 December 2012 (3,584 thousand euros at 31 December 2011), relate exclusively to the heading Available-for-sale financial assets.

A breakdown of tax-loss carryforwards, deductions and allowances available for offset in future years at 31 December 2012 and 2011 is as follows:

			Thousands of euros	
Generating Year	**Concept**	**Last Compensation Year**	**2012**	**2011**
2012	Credits from negative tax basis	2027	354,171	-
2012	Tax deductions and credits rights	2022	451	-
2011	Credits from negative tax basis	2026	76,008	23,784
2011	Tax deductions and credits rights	2029	15	-
2011	Tax deductions and credits rights	2021	186	3,148
2010	Credits from negative tax basis	2025	63,425	45,495
2010	Tax deductions and credits rights	2020	341	3,613
2009	Credits from negative tax basis	2024	1,531	7,465
2009	Tax deductions and credits rights	2019	108	598
2008	Tax deductions and credits rights	2018	-	5,782
2004	Credits from negative tax basis non financial entities	2022	60	-
			496,236	**89,885**

During 2012 the merger by absorption of Cajamar, Caja Rural Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito took place. As a result of the merger, both entities were dissolved and the new Entity Cajas Rurales Unidas, Sociedad Cooperativa de Crédito was formed. That merger was covered by the special regime for mergers, splits, asset contributions and share exchanges governed in Chapter VII of Title VII of Legislative Royal Decree 4/2004 approving the Corporate Income Tax Act.

During the business combination, the assets, liabilities and contingent liabilities of Caja Rural del Mediterráneo, Rural Caja, Sociedad Cooperativa de Crédito were included in the financial statements of Cajamar at carrying value in the transferring entity. The last balance sheet of the Entity is included in Note 1.5 to these annual accounts.

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

The last balance sheet of Caja Rural de Castellón San Isidro, Sociedad Cooperativa de Crédito Valenciana is included in Note 1.5 to these annual accounts. During the business combination, the assets, liabilities and contingent liabilities of Caja Rural de Castellón San Isidro, Sociedad Cooperativa de Crédito Valenciana were included in the financial statements of Cajamar at their carrying value in the transferring entity.

There are no tax benefits applied by Caja Rural del Mediterráneo, Sociedad Cooperativa de Crédito or Caja Rural de Castellón San Isidro, Sociedad Cooperativa de Crédito Valenciana, with respect to which Cajamar should assume the obligation to fulfil applicable requirements in accordance with 90.1 and 2 of Legislative Royal Decree 4/204, approving the Corporate Income Tax Law.

As is mentioned in Note 1.1, in 2011 a merger involving the takeover of Caja Campo, Caja Rural, Sociedad Cooperativa de Crédito. This merger has applied the system for special merger, spin-off, asset contribution and share swap governed by Title VII, Chapter VIII of Legislative Royal Decree 4/2004, which approved the Spanish Corporate Income Tax Act.

The latest balance sheet for Caja Campo, Caja Rural, Sociedad Cooperativa is included in Note 1.5 of these notes. During the business combination process, the assets, liabilities and contingency liabilities relating to Caja Campo, Caja Rural, Sociedad Cooperativa have been included in the financial statements for Cajamar at the same value they had at the transferring entity.

No tax benefits have been applied by Caja Campo, Caja Rural, Sociedad Cooperativa for which Cajamar must meet certain requirements in accordance with the provisions of Article 90.1 and 90.2 of Legislative-Royal Decree 4/2004, which approved the Spanish Corporate Income Tax Act.

The Group's tax returns for all the years established by current legislation are open to inspection. A tax inspection proceeding was initiated in 2011 on corporate income tax (2005 to 2009), value added tax (March 2007 to December 2009), withholdings and payments on account of earned income/income from professional services (March 2007 to December 2009), withholdings and payments on account of property lease income (March 2003 to December 2009) and the annual declaration of operations (March 2007 to December 2009) of Cajamar. In 2012, the Tax Inspectorate issued the tax assessment which they signed with conformity.

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

Balance sheet restatement

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

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

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

25. Breakdown of the consolidated income statement

The most significant headings in the accompanying consolidated income statement at 31 December 2012 and 31 December 2011 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	
	2012	2011
Deposits with central banks	1,668	3,990
Loans and advances to credit institutions	4,865	7,831
Money market operations through counterparties	771	333
Loans and advances to other debtors	985,231	915,901
Debt securities (Notes 7.4.a and 7.6)	134,415	46,495
Non-performing assets	6,541	4,374
Income adjustments due to hedging operations	-	-
Income from insurance contracts linked to pensions and similar obligations	31	67
Other interest:		
Income from Pension Plan assets (Note 16)	2,111	1,482
Other:	2,704	1,924
Total	**1,138,337**	**982,398**
Deposits from central banks	(42,588)	(9,604)
Deposits from credit institutions	(42,222)	(34,035)
Money market operations through counterparties	(6,977)	(1,058)
Deposits from other creditors	(439,092)	(480,510)
Debt certificates including bonds	(70,602)	(112,608)
Subordinated liabilities (Note 7.7.e)	(1,406)	(2,522)
Expense adjustments due to hedging operations	38,181	44,192
Pension fund interest costs (Note 16)	(2,627)	(2,411)
Other interest	(2,414)	(455)
Total	**(569,747)**	**(599,011)**

- **Return on equity instruments**

The details of this caption on the consolidated income statements for 2011 and 2010 are as follows:

	Thousands of euros	
	2012	2011
Investments in associates (Note 11)	-	-
Other equity instruments (Note 7.4.b.)	2,157	2,162
Total	**2,157**	**2,162**

- **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 2012 and 2011 is as follows:

	Thousands of euros	
	2012	2011
Acuariums de Almería S.L.	-	(63)
Apartamentos Media Luna S.L.	435	537
Cajamar Vida, S.A. de Seguros y Reaseguros	8,866	8,981
Agrocolor S.L.	56	198
Occidental Arroyomolinos S.L.	-	(130)
Tino Stone Group, S.A.	-	(1,628)
Other associates	244	(230)
Total	**9,601**	**7,665**

- 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 2012 and 2011 are as follows:

	Thousands of euros	
	2012	2011
Fee and comission expense		
From contingent exposure	9,013	8,295
From contingent commitments	6,172	5,067
From exchanges of currency and notes from foreign banks	1,015	847
From collection and payment services	118,522	73,271
From securities services	3,395	4,676
From the marketing of non-bank financial products	20,728	19,276
Other commissions	24,492	19,677
Total	**183,337**	**131,109**
Fee and commission expense		
Brokerage fees in asset and liability operations	-	-
Commissions ceded to other entities and agents	(17,277)	(12,805)
Commissions paid for securities operations	(12,311)	(7,709)
Other commissions	(608)	(10)
Total	**(30,196)**	**(20,524)**

- **Results from financial operations**

The details of this caption on the consolidated income statements for 2012 and 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Portfolio	(12,914)	9,458
Other instruments at fair value with changes on profit and loss	(96)	69,023
Financial assets on sale	61,058	644
Credit investments	(262)	-
Investments to maturity	58	-
Financial liabilities at amortized cost	30,695	23,442
Accounting hedging not included in interests:		
Hedging derivatives	35,299	45,160
Covered balances	(35,258)	(45,151)
Other:		
Securiticised commissions written-off (Note 7.5.b.4)	7,313	4,989
Other	338	(116)
Total	**86,231**	**107,449**

- **Other operating revenues**

The details of this caption on the consolidated income statements for 2012 and 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Income from investment properties (Note 12)	5,855	5,349
Income from tangible assets leased out under an operating lease	-	-
Sales and other income from the provision of non-financial services	34,662	28,892
Rest of operating income:		
Financial commissions to offset direct costs	5,738	6,778
Expenses included in assets	-	-
Compensation from insurance companies	34	2,600
Other recurring income	4,127	4,813
Other non-recurring income	389	5,848
Total	**50,805**	**54,281**

Other operating expenses

The details of this caption on the consolidated income statements for 2012 and 2011 are as follows:

	Thousands of euros	
	2012	2011
Variation in inventories	(39,902)	(24,609)
Expenses from investment properties (Note 12)	(283)	(429)
Contribution to deposit guaranteed funds (Note 3.17)	(44,601)	(18,678)
Other operating expenses	(24,386)	(5,290)
Total	**(109,172)**	**(49,006)**

- ### Personnel expenses

The details of this caption on the consolidated income statements for 2011 and 2010 are as follows:

	Thousands of euros	
	2012	2011
Salaries and bonuses paid to active personnel	(205,449)	(186,658)
Social Security contributions	(55,480)	(48,660)
Contributions to define benefit plans (Note 16)	(2,094)	(2,494)
Contributions to define contribution plans (Note 16)	(7,733)	(7,255)
Compensation for termination of employment	(794)	(1,594)
Training expenses	(197)	(194)
Remunerations based on equity instruments	-	-
Other personnel expenses	(5,161)	(5,020)
Total	**(276,908)**	**(251,875)**

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	
	2012	2011	2012	2011
Average headcount				
Men	3,761	2,699	4,708	3,183
Women	2,794	1,948	3,544	2,250
Total	**6,555**	**4,647**	**8,252**	**5,433**

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

	2012		2011	
	Men	Women	Men	Women
Directors	65	12	36	7
Administrators and qualified managers	2,384	752	1,653	601
Administrative officers	1,549	1,549	983	823
Administrative assistants	650	1,184	462	775
Various	60	47	49	44
Other group societies	-	-	-	-
Total	**4,708**	**3,544**	**3,183**	**2,250**

The average number of employees in 2012 at the Cooperative Group that have a disability equal or exceeding 33% (or equivalent classification) is 154.

Benefits-in-kind granted to the Lead Entity's employees in 2012 and 2011 totalled 2,836 thousand Euros and 3,264 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	
	2012	2011
Property, fixture and tangible objects	(35,216)	(33,759)
IT	(13,173)	(11,584)
Communications	(11,143)	(5,887)
Advertising and publicity	(5,661)	(5,294)
Legal and lawyer expenses	(1,545)	(1,475)
Technical reports	(2,075)	(1,587)
Monitoring and fund transfer services	(5,039)	(4,500)
Insurance premiums and self-insurance	(1,110)	(924)
Governing and controlling bodies	(1,558)	(867)
Personnel representation and travelling expenses	(3,167)	(3,928)
Membership fees	(384)	(467)
Head office expenses charged to foreign branches	-	-
Outsourced administrative services	(2,525)	(8,084)
Contributions and taxes:		
For property	(2,333)	(1,401)
Other	(1,134)	(1,150)
Other expenses	(14,507)	(10,330)
Total	**(100,571)**	**(91,237)**

- **Allocations to provisions (net)**

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

	Thousands of euros	
	2012	**2011**
Provisioning expenses (net)		
Provisions to pension funds and similar obligations (Note 16)	(1,836)	456
Provisions for contingent exposures and commitments (Note 16)	(5,850)	841
Other provisions (Note 16)	(69,694)	7,039
Total	**(77,380)**	**8,336**

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

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

	Thousands of euros	
	2012	**2011**
Financial Assets		
Loans and receivables (Note 7.5.c)	(1,160,246)	(121,001)
Financial instruments not measured at fair value through profit or loss (available-for-sale financial assets) (Notes 7.4.c and 7.6)	(19,434)	(9,951)
Total	**(1,179,680)**	**(130,952)**
Other assets		
Goodwill and other intangible assets	(13,959)	(11,146)
Other assets:		
Tangible assets (Notes 12 and 15)	(14,957)	(3,266)
Rest of assets (Notes 3.24, 14 and 15)	(279,557)	(44,970)
Total	**(308,473)**	**(59,383)**

- **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	
	2012	**2011**
Gains on sales		
Tangible assets (Note 12)	3,051	2,780
Investment properties (Note 12)	28	37
Assets awarded in foreclosure	2,128	-
Investments	-	356
Other profits	249	-
Total	**5,456**	**3,173**
Losses in sales		
Tangible assets (Note 12)	(12,086)	(7,216)
Investment properties	(331)	(13)
Assets awarded in foreclosure (Note 14)	(1,845)	-
Intangible assets (Note 13)	-	(118)
Other profits	(1,176)	(21)
Total	**(15,438)**	**(7,368)**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	**(9,982)**	**(4,195)**

- **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	
	2012	**2011**
Gains on sale		
Tangible assets (Note 12)	31	69
Assets awarded in foreclosure (Note 14)	1,344	4,156
Total	**1,375**	**4,230**
Losses on sales		
Tangible fixed assets	(252)	(1,075)
Assets awarded in foreclosure (Note 14)	(43,864)	(15,070)
Total	**(44,116)**	**(16,145)**
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**(42,741)**	**(11,915)**

- **Result attributed to minority shareholders**

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

	Thousands of euros	
	2012	**2011**
Parque Industrial Acceso Sur S.L.	(91)	-
Total	**(91)**	**-**

26. Segment reporting

- **Segmenting by lines of business**

Grupo Cooperativo Cajas Rurales Unidas' core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Lead Entity segment and manage its operations through different lines.

- **Geographical segmenting**

Similarly, the Lead Entity and other companies that make up the Cooperative Group carry out their activities almost entirely in Spain and the type of customer is similar throughout Spain. Therefore the Lead Entity considers that there is a single geographical segment for Grupo Cooperativo Cajas Rurales Unidas' entire operation.

27. Other information

Investment services

The details of investment and complementary services by instrument type, indicating the amount of securities and other managed financial instruments and the commissions recorded on the consolidated income statements, are as follows:

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

	Thousands of euros	
Year 2011	**Client Resources**	**Commissions**
Type of investment services (services managed by the Group)	**-**	**-**
Total	**-**	**-**
Intermediary Service (services managed by the Group)		
Securities	-	-
Investment Funds	309,864	1,660
Pension Funds and insurances	658,807	17,603
SICAV´s	269	13
Total	**968,940**	**19,276**
Securities frm thrid parties		
Subordinated liabilities	-	-
Equity instruments y Debt securities	1,001,779	4,676
Total	**1,001,779**	**4,676**

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 2012 and 2011, grouped by counterparty and indicating the limit and amount pending liquidity, are as follows:

	Thousand of Euros			
	2012		2011	
	Limit	Available	Limit	Available
Available for third parties				
Credit institutions	-	-	-	-
Spanish Public Administrations	1,201,137	117,271	573,504	18,516
Other resident sectors	34,476,197	1,507,363	26,240,960	1,612,854
Non-resident public administration	207,886	3,352	204,031	2,632
Total	**35,885,220**	**1,627,986**	**27,018,495**	**1,634,002**
Commitments of hire-purchase of financial assets	**-**	**-**	-	**126,767**
Suscribed securities with pending payment	**-**	**3,848**	**-**	**2,975**
Other contingent commitments	**-**	**426,165**	**-**	**65,150**
Total contingent commitments	**35,885,220**	**2,057,999**	**27,018,495**	**1,828,894**

The average interest rate offered for these commitments is 5.3% in 2012 (3.61% in 2011).

External audit

The fees paid for the audit of the accounts and other services related to the Group, in 2012 and 2011, are as follows:

Year 2012	Thousands of euros		
Entity	**Annual Accounts audit**	**Other services**	**Total**
Pricewaterhousecoopers Auditores, S.L.	747	312	1,059

Year 2012	Thousands of euros		
Entity	**Annual Accounts audit**	**Other services**	**Total**
Pricewaterhousecoopers Auditores, S.L.	426	230	656

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 13 thousand euros in 2012 (6 thousand Euros in 2011).

Customer Service

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

In compliance with Law 44/2002 (22 November) on Measures to Reform the Financial System, the Customer Ombudsman Regulations for Financial Services approved by Royal Decree 303/2004 (20 February), Order ECO/734/2004 (11 March) on Customer Service Departments and Customer Ombudsman services at financial institutions and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from other sales and operating areas to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights.

Regulations which governs the operation of the Department and which was approved by the Governing Board of the parent entity through the agreement of 12 November 2012. These member entities are all those that make up the Group at 31 December 2012, except for Caja Rural de Canarias, Caixa Sant Vicent and Caixa Rural Vila-Real, that have their own Department.

Noteworthy is the number of proceedings initiated in 2012 amounting to 4,120, including 219 files with the Bank of Spain Claims Department and 6 with the Investor Services Office of the National Securities Market Commission. No complaints or claims have been filed with the Directorate General for Insurance and Pension Plans.

The distribution of proceedings initiated in respect of claims against entities was as follows: (i) Cajas Rurales Unidas, 94.6%; (ii) Caixa Rural Torrent, 2.5%; (iii) Crèdit Valencia, 1.7%; (iv) none against Caja Rural de Casinos, Caja Rural Vilavella, Caixa Rural Vilafamés or Caixa Rural d'Alginet; and (v) 1.2% against the other 12 entities.

Continuing with that summary, noteworthy is the way in which such files were settled during the year: (i) 49% was in favour of the claimant compared with 41% in the previous year; (ii) 49% of issues analysed were settled in favour of the entity, representing a decrease of 6% compared with 2011; (iii) the Department issued no decision on the claims filed in 1.5% of cases compared with 3% in 2011; and (iv) 0.5% of customers dropped their claims in 2012 compared with 1% in the previous year.

Similarly noteworthy, following the classification laid down by the Bank of Spain in this respect, based on content matter: 38% of files settled related to deposit transactions, 22% to loans and advances, 17% to other bank products, 10% to sundry products, 7% to collection and payment services, 5% to insurance and pension funds and lastly 1% to investment services.

Finally, taking into account the reasons for claims also classified by the Bank of Spain, 49% of files settled by the Department affected fees and expenses, 19% the ex post service, 13% interest, 11% discrepancies in entries, 3% disagreement with the service ex ante, another 3% sundry matters, 1% other contractual clauses and lastly, 1% to data protection.

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

Information regarding the deferral of payments to suppliers

On 5 July 2010 Law 15/2010 was published and amends Law 3/2004 (29 December), which establishes measures to fight against defaults in commercial transactions.

Among other things, this legislation eliminates the possibility of "party agreements" regarding the extension of payments to suppliers as a result of the financial repercussions of the financial crisis in all sectors, which resulted in an increase in non-payments, delays and extensions in the settlement of invoices due and payable, which particularly affects small and medium-sized companies due to their dependence on short-term credit and cash limitations in the current economic context. In addition, to fight against these difficulties, the law establishes a general maximum period between companies of 60 calendar days after the date on which the goods or services are provided, which will enter into force on 1 January 2013. Up until that time a transitional system is in place with longer maximum legal deadlines that will progressively fall for those companies that have agreed longer payment periods.

Regarding the activity carried out by the Cooperative Group, the information relating to the deferral of debts relating to the payment of suppliers for services received and sundry supplies received other than payments to depositors. The payments made to these parties in 2012 are 412,931 thousand euros (399,654 thousand Euros in 2011), all of which been made within the legal and contractual deadlines.

The balance pending payment at 31 December 2012 is not significant and is payable in a period that is shorter than that established by Law 15/2010.

28. Requirements regarding reporting transparency

In accordance with the RD 716/206 (24 April) (Note 1.4) which develops Law 2/1981 (25 March), the Governing Body declares that policies and explicit procedures exist which cover all the relevant aspects regarding the Mortgage Market and that those policies and procedures guarantee compliance with the applicable legislation.

Amongst the general credit operations admission policies, are regulated:

- The criteria as to consider that a risk is sufficiently guaranteed
- The maximum financed amount with respect to the proterties in guarantee, depending on its nature
- The rules in determining property investments value, amongst which a valuation of the property investments is required. This valuation should be certified by an appraisal entity which should be officially approved by the Entity.
- The required criteria to officially approve the appraisal Entitiy
- The policies so as to measure the capacity of payment of the borrowers, from which the prudece outstands:
    - The ones taking into account eventual rises in installments due to the rise in interest rates.
    - The ones that end with the initial payment facilities included in some kinds of products, such as principal grace periods or increasing amortization systems.

- The credit operations admission frontier, that take into account the results in the capacity of payment evaluation

- The necessary documents for the application of the credit operations which should include:

    - Information about the capital wealth of the parties in the operation
    - Financial information that can lead to evaluate the capacity of generating resources from the parties.

In the general management and control of liquidity risk policies, rules exist that guarantee the existence of enough liquidity to always attend the payment obligations of the Entity.

The nominal value of mortgage bonds and securities, issued by the Entity at 31 December 2012 and 31 December 2011, rise up to 2,250,000 thousand Euros (notes 7.7.c and 7.7.d).

28.1 Information Regarding the Mortgage Market

The information regarding the special accounting registry for the mortgage loans issued by the Entity as well as de financial instruments and other operations related to the mortgage market is shown, in accordance with Law 2 /1981 (25 March) regulating the Mortgage Market, modified by Law 41/2007 (7 December) and in accordance with the information required by RD 716/2009 (24 April), whereby some aspects of the mentioned law are developed.

The nominal and updated value of the credit and mortgage loans that support the mortgage bonds and securities at 31 December 2012 and 31 December 2011 is as follows:

	Thousand of Euros	
	Nominal Value	
	2012	2011
1. Total loans	**27,415,066**	**20,811,040**
2. Collateralised mortgage bonds issued	**1,625,128**	**1,778,713**
Of which : Loans maintained in the balance	1,288,476	1,406,260
3. Mortgage transfer notes issued	**5,375,649**	**3,815,876**
Of which : Loans maintained in the balance	5,296,092	3,729,623
4. Loan securities plegded as security of funding recieved	**-**	**-**
5. Hipotecary loans that support the emission of mortgage loans (1 - 2 - 3 - 4)	**20,414,289**	**15,216,450**
Non eligible loans	7,440,100	5,444,500
They fulfil the requirementes to be eligible except the limit in article 5.1 of the RD 716/2009	2,749,270	1,972,415
Rest	4,690,830	3,472,084
Eligible loans	12,974,189	9,771,951
Non computable amounts	702,188	475,640
Computable amounts	12,272,001	9,296,310
Loans that cover motgage bond issues	-	-
Suitable loans for the hedging of securities issued	12,272,001	9,296,310

The information regarding the loans that support the mortgage bonds and securities issue, distinguishing those eligible for the years ending 31 December 2012 and 31 December 2011:

	Thousand of Euros			
	2012		2011	
	Pending principal	Eligible Operations	Pending principal	Eligible Operations
Origin of the operation	**20,414,289**	**12,974,189**	**15,216,450**	**9,771,951**
Originated by the Entity	18,252,091	11,258,549	13,307,234	8,286,444
Sobrogated from another operation	2,083,345	1,673,592	1,827,681	1,443,192
Rest of adquisitions	78,853	42,048	81,535	42,315
Denomination currency	**20,414,289**	**12,974,189**	**15,216,450**	**9,771,951**
Euro	20,414,289	12,974,189	15,216,450	9,771,951
Rest of currency	-	-	-	-
Payment situation	**20,414,289**	**12,974,189**	**15,216,450**	**9,771,951**
With up to date payments	13,946,110	9,899,697	11,609,193	7,960,941
Resto of situations	6,468,179	3,074,492	3,607,257	1,811,010
Average residual term	**20,414,289**	**12,974,189**	**15,216,450**	**9,771,951**
Up to 10 years	3,448,199	1,970,850	2,577,767	1,309,633
From 10 to 20 years	6,815,152	4,105,782	4,699,946	2,729,925
From 20 to 30 years	7,372,439	4,945,877	5,402,463	3,873,379
More than 30 years	2,778,499	1,951,680	2,536,274	1,859,014
Interest Rate	**20,414,289**	**12,974,189**	**15,216,450**	**9,771,951**
Fixed	830,926	528,361	558,270	318,088
Variable	18,790,442	12,051,590	14,236,435	9,219,694
Mixed	792,921	394,238	421,745	234,169
Purpose of the operation	**20,414,289**	**12,974,189**	**15,216,450**	**9,771,951**
Legal and natural persons using them for their business activity	9,205,741	4,450,851	7,197,061	3,667,835
of whom: with a property investment object	4,096,394	1,922,966	3,241,265	1,765,146
Homes	11,208,548	8,523,338	8,019,389	6,104,116
Guarantee type	**20,414,289**	**12,974,189**	**15,216,450**	**9,771,951**
Assets - finished buildings	**16,357,861**	**11,168,121**	**12,034,696**	**8,342,196**
Residential use	14,683,630	10,391,507	11,039,050	7,881,509
Of which: Social housing	652,713	438,387	456,407	270,833
Comertial use	160,322	55,406	118,287	48,475
Other assets	1,513,909	721,208	877,359	412,212
Assets - buildings in construction	**1,088,373**	**500,903**	**708,096**	**382,017**
Residential use	612,475	300,357	536,637	310,484
Of which: Social housing	23,554	16,683	57,617	38,742
Comertial use	96,804	18,652	88,233	21,090
Other assets	379,094	181,894	83,226	50,443
Land	**2,968,055**	**1,305,165**	**2,473,658**	**1,047,738**
Urbanized	1,298,856	394,178	1,036,651	352,515
Other assets	1,669,199	910,987	1,437,007	695,223

The nominal value of the available amounts (undrawn committed amounts), of the mortgage loans that support the issue of mortgage bonds and securities, differentiating those which are potentially eligible at 31 December 2012 and 31 December 2011 is as follows:

	Thousand of Euros	
	2012	2011
Potentially eligible	119,350	223,958
Not potentially eligible	117,776	158,552

The nominal value of all the mortgage loans and credits ineligible that fail with the limits established in RD 716/2009 (article 5.1) but however complies with all the rest of the requirements of the eligible, indicated in article number for of the RD, amounts 2,749,270 thousand Euros at 31 December 2012 (1,972,415 thousand Euros at 31 December 2011).

The following table shows, for the years ended at 31 December 2012 and 31 December 2011, the relationship between the mortgage loans and credits and the appraisal values corresponding to the last available valuation corresponding to the last available valuation of the respective mortgaged goods (Loan to value-LTV).

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

	Thousand of Euros					
	2011					
	LTV >= 40%	40%< LTV <= 60%	LTV >= 60%	60%< LTV <= 80%	LTV > 80%	Total
Upon housing	967,924	2,058,778	-	4,156,416	-	7,183,118
Upon rest of assets	1,054,690	1,529,461	4,681	-	-	2,588,833

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

	Thousand of Euros			
	Eligible Loans	Non Eligible Loans	Eligible Loans	Non Eligible Loans
	2012		2011	
Starting balance	**9,771,951**	**5,343,301**	**9,476,897**	**4,566,963**
Merger of Ruralcaja	**2,666,520**	**1,499,233**	**-**	**-**
Merger with other Group Entities	**920,548**	**514,738**	**-**	**-**
Eliminations:	**1,999,002**	**1,922,363**	**1,349,187**	**1,084,426**
Maturity date	692,369	268,979	359,019	317,102
Early cancellation	144,120	98,484	325,525	163,496
Subrogation by another Entity	528	-	3,396	1,320
Other	1,161,985	1,554,900	661,247	602,508
Additions:	**1,614,172**	**2,005,191**	**1,644,241**	**1,860,764**
Originated by the Entity	210,801	719,473	411,456	837,906
Subrogation by another Entity	50,636	61,538	86,922	129,363
Other	1,352,735	1,224,180	1,145,863	893,495
Closing balance	**12,974,189**	**7,440,100**	**9,771,951**	**5,343,301**

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

	Thousand of Euros			
	2012		**2011**	
	Net book value (*)	**Hedging**	**Net book value (*)**	**Hedging**
Real-estate assets coming from the credit aimed for construction companies and property development	**600,404**	**303,354**	**676,161**	**303,761**
Finished buildings	*306,672*	*63,916*	*206,856*	*71,282*
Home	238,343	40,382	176,052	62,925
Other	68,329	23,534	30,804	8,357
Buildings in construction	*65,597*	*13,059*	*119,664*	*60,060*
Home	64,302	12,893	117,222	58,809
Other	1,295	166	2,442	1,251
Land	*228,135*	*226,379*	*349,641*	*172,419*
Urbanized	221,771	222,722	245,594	130,971
Other assets	6,364	3,657	104,047	41,448
Property coming from homebuilding credits to homes for property adquisition	**126,212**	**34,556**	**109,487**	**57,077**
Rest of foreclosed assets	**44,913**	**11,133**	**83,152**	**32,160**
Capital instruments, investments and financing to non consolidated societies helding assets	**428,252**	**421,321**	**8,812**	**5,914**

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

The Entity maintains policies and strategies related to the recuperation of liquidity of this kind of assets, which are collected and detailed in Note 6 of these annual accounts.

At 31 December 2012 and 31 December 2011 there are no assets subject to security issues.

All of the bond and securities issues have been made under no public offer, the aggregate nominal value qualified according to their residual maturity date at 31 December 2012 and 31 December 2011 is as follows:

	Thousand of Euros		Years	
	Nominal value		**Average residual maturity date**	
	2012	**2011**	**2012**	**2011**
Emitted mortgage loans	-	-	-	-
Securities issued	**6,100,000**	**4,938,200**		
Of which: None registered in liabilities	3,101,500	1,796,000	-	-
Debt securities. Issued through public offer				
Residual maturity date up to a year	-	-	-	-
Residual maturity date more than one year and up to two years	-	-	-	-
Residual maturity date more than two years and up to three years	-	-	-	-
Residual maturity date more than three years and up to five years	-	-	-	-
Residual maturity date more than five years and up to ten years	-	-	-	-
Residual maturity date more than ten years	-	-	-	-
Debt securities. Rest of emissions	**3,850,000**	**1,689,200**		
Residual maturity date up to a year	-	88,200	-	-
Residual maturity date more than one year and up to two years	1,100,000	-	1	1
Residual maturity date more than two years and up to three years	-	1,100,000	5	5
Residual maturity date more than three years and up to five years	2,250,000	1,000	6	6
Residual maturity date more than five years and up to ten years	500,000	500,000	10	10
Residual maturity date more than ten years	-	-	-	-
Deposits	**2,250,000**	**2,250,000**		
Residual maturity date up to a year	250,000	-	-	-
Residual maturity date more than one year and up to two years	500,000	250,000	-	-
Residual maturity date more than two years and up to three years	700,000	500,000	-	-
Residual maturity date more than three years and up to five years	800,000	1,500,000	-	-
Residual maturity date more than five years and up to ten years	-	-	-	-
Residual maturity date more than ten years	-	-	-	-
Collateralised mortgage bonds	**1,629,938**	**1,395,075**		
Issued through public offer	-	-	-	-
Rest of emissions	1,629,938	1,395,075	17	17
Mortgage transfer notes issued	**5,426,356**	**3,985,002**		
Issued through public offer	-	-	-	-
Rest of emissions	5,426,356	3,985,002	18	20

At 31 December 2012 and 31 December 2011 no mortgage bond issue existed.

28.2 Information regarding construction, real estate and property purchase financing

The information required by the Bank of Spain, related to the informative transparency regarding construction, real estate and property purchase financing, as well as financing strategies and needs is detailed.

The details of the financing intended to real estate construction and promotion as well as its hedges at 31 December 2012 and 31 December 2011 is as follows:

	Thousand of Euros					
	Gross amount		**Excess over guarantee value**		**Specific Hedging**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Resgistered credit by the credit Entities of the Group (businesses in Spain)	**4,467,903**	**3,256,560**	**-**	**-**	**1,592,317**	**223,605**
Of which: Doubtful	2,129,207	662,752	-	-	889,478	219,195
Of which: Sub-prime	1,084,256	32,589	-	-	172,015	4,409
Memorandum item:						
Total general hedging (total businesses)	65,971	34,041	-	-	-	-
Failed assets	218,750	20,111	-	-	-	-

	Thousand of Euros	
	Net book value	
	2012	2011
Loans and advances to other debtors excluding Public Administrations	32,129,484	24,829,505
Total consolidated assets (total businesses)	41,700,864	30,988,631

The gross amount, without taking into consideration impairment adjustments, of the operations classified by its associated guarantee at 31 December 2012 and 31 December 2011 has the following breakdown:

	Thousand of Euros	
	2012	2011
Without mortgage security	**360,160**	**38,911**
With mortgage security	**4,107,743**	**3,217,649**
Finished buildings	*1,705,618*	*1,558,789*
Homes	1,489,381	1,378,207
Rest of finished buildings	216,237	180,582
Buildings in construction	*1,096,615*	*705,027*
Homes	612,475	536,176
Rest of finished buildings	484,141	168,851
Land	*1,305,510*	*953,833*
Urbanized	1,174,883	884,936
Other assets	130,627	68,897
Total	**4,467,903**	**3,256,560**

The detail of retail loans for the adquisition of housing at 31 December 2012 and 31 December 2011 is as follows:

	Thousand of Euros			
	2012		2011	
	Gross amount	Of which: doubtful	Gross amount	Of which: doubtful
Credit for acquisition of home	**15,671,324**	**797,348**	**11,980,711**	**352,607**
Without mortgage security	7,809	294	32,579	415
With mortgage security	15,663,515	797,054	11,948,132	352,192

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2012 and 31 December 2011 is as follows:

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

	Thousand of Euros					
	2011					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Credit for property acquisitions with mortgage guarantee	1,657,204	3,219,469	5,476,089	768,787	826,583	11,948,132
Of which: doubtful	11,888	42,902	142,624	90,288	64,489	352,191

28.3 Quantitative information related to the financing needs and strategies

The Assets and Liabilities Committee (ALCO) is responsible for the management of the liquidity of the Group. The principles, instruments and limits in which risk management is based are described in Note 6- Risk Management.

At 31 Dicember 2012 has closed with a hedging level of the retail and medium and long term loan portfolio of 88.91%, While financing needs are covered in an amount of 96.02% through stable financing sources.

The financing structure of the corporate markets of Group Cooperativo Cajamar is based on the issues and other medium and long term financing that represent the 77.16% of the total, being diversified by instruments, maturity and markets.

During 2012, the Group has issued two mortgage bonds for an amount of 500 and 750 million Euros respectively and also issued local bonds for an amount of 325 million Euros. These operations have been carried out in order to reinforce the available guarantees against The European Central Bank. Promissory notes have also been placed at wholesale level amounting to €15.6 million, with an amount of €14.4 million outstanding at the year end. In the same period, maturities in wholesale financing sum up to 1,325.1 million Euros, besides periodic amortizations in assets securities (net participations issued).

On the other hand the Group maintains liquid assets (eligible for financing operations with The Europan Central Bank) for 11,658 million Euros of nominal value, as a colleteral financial instruments issuance capacity (securities issues and territorial bonds issues) which exceeds 4,301 million Euros.

The breakdown of the information regarding the financial needs and strategies at 31 December 2012 and 31 December 2011 is as follows:

	Thousand of Euros			Thousand of Euros	
	2012	2011		2012	2011
Stable funding necesities			**Stable fund sources**		
Loans and advances to other debtors	23,007,752	18,893,592	Clients covered at 100% by the G.F.D.	15,679,407	10,538,976
Credit to Entities of the Group and related	193,929	394,086	Clients not covered at 100% by the G.F.D.	9,100,365	6,450,122
Securitised assets	7,166,485	5,400,841			
Specific funds	2,483,463	516,467			
Foreclosed assets	1,257,479	856,521			
Total loans and advances to other debtors	**34,109,108**	**26,061,507**	**Total loans to retail clients**	**24,779,772**	**16,989,098**
Investments	**67,906**	**55,750**			
			Bond and securities issued	2,998,500	3,142,200
			Regional bonds	-	-
			Senior Debt	-	-
			Issues endorsed by the State	375,000	1,609,000
			Subordinated, preferenced and convertibles	138,300	58,300
			Other financial instruments at medium and long term	22,500	102,850
			Securisations sold to third parties	1,994,841	1,667,240
			Other funding with maturity date over a year	3,890	3,890
			Commercial paper	14,447	-
			Long term wholesale funding	**5,547,478**	**6,583,480**
			Equity	**2,492,450**	**2,666,368**
Total fund necesities	**34,177,014**	**26,117,257**	**Total stable fund sources**	**32,819,700**	**26,238,946**

The maturity detail of the wholesale debt at 31 December 2012 is as follows:

	Thousand of Euros			
	2013	**2014**	**2015**	**>2015**
Issue:				
Bonds and mortgage bonds	-	-	-	-
Mortgage Bonds	250,000	1,248,500	1,500,000	-
Territorial bonds	-	-	-	-
Senior debt	-	-	-	-
Issues guaranteed by the State	375,000	-	-	-
Subordinated, prefent and convertible securities	-	-	138,300	-
Securizations sold to third parties	245,759	220,040	195,586	1,333,456
Other financial instruments at medium and long term	-	-	22,652	-
Other more than one year financing	486	486	486	2,431
Commercial paper	14,447	-	-	-
Total maturity of corporate issues	**885,692**	**1,469,026**	**1,857,024**	**1,335,887**

Liquid assets and the emission capacity available at 31 December 2012 and 31 December 2011 are as follows:

	Thousand of Euros	
	2012	**2011**
Liquid Assets		
Eligible Assets (nominal value)	11,658,844	7,017,635
Eligible Assets (fair value and ECB adjustment)	9,002,244	5,369,898
Of which:		
debt with central public administration	*2,585,290*	*1,146,286*
Pledged Assets (fair value and ECB adjustment)	7,213,845	3,357,896
None- pledged Assets (fair value and ECB adjustment)	1,788,399	2,012,001
Total liquid assets	**20,661,088**	**12,387,533**
Issue Capacity		
Mortgage bonds	4,300,615	2,578,343
Territorial bonds	357,070	350,369
Issues guaranteed by the State	-	-
Total issuance capacity	**4,657,685**	**2,928,712**
Total liquidity capacity	**16,003,403**	**9,458,821**

27.4 Information reffered to refinanced and restructured operations

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

Thousand of Euros

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

Thousand of Euros

	Doubtful							**Total**		
	Full mortgage asset backed security		Other secured loans		Without security		**Specififc Hedge**			**Specififc Hedge**
	Number of operations	**Gross amount**	**Number of operations**	**Gross amount**	**Number of operations**	**Gross amount**		**Number of operations**	**Gross amount**	
Public Administrations	-	-	-	-	4	5,175	-	51	308,252	-
Other legal entities and individual entrepreneurs	2,829	1,608,916	42	12,482	4,854	1,077,859	1,045,837	32,371	6,590,826	1,226,670
Of which: Construction and real state financing	*1,389*	*1,242,129*	*10*	*7,010*	*1,080*	*677,776*	*775,647*	*5,214*	*3,685,256*	*928,832*
Other legal persons	2,647	322,480	19	2,795	5,157	187,238	124,794	39,743	2,277,454	130,855
Total	**5,476**	**1,931,396**	**61**	**15,277**	**10,015**	**1,270,273**	**1,170,631**	**72,165**	**9,176,532**	**1,357,525**

Detail of operations classified as default during 2012 is as follows:

	Thousand of Euros
	Book value
Public Administrations	1,818
Other legal entities and individual entrepreneurs	1,043,866
Of which: Construction and real state financing	*787,108*
Other legal persons	116,774
Total	**1,162,458**

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

29. Subsequent events

Independent of the matters mentioned in these notes to the accounts, between 31 December 2012 and 21 March 2013, 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 2012

The details regarding the entities participating in the Group and the jointly-controlled entities whose balance sheets and income statements are integrated using the full and proportional consolidation methods are as follows:

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

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

Details regarding entities accounted for by the equity method at 31 December 2012 are as follows:

Company	Address	Activity	% of mutualization	% shareholding direct	% shareholding indirect	Thousand of euros Net carrying value	Thousand of euros Assets	Thousand of euros Equity	Thousand of euros Results
Associates									
Acuariums de Almería, S.L.	Avda. Reino de España s/n. Roquetas de Mar. Almería.	Operation of an aquarium		-	25.00%	-	3,449	(173)	(265)
Agrocolor, S.L.	Carretera de Ronda, 11-1º E. Almería.	Quality certification		32.37%	-	18	2,574	1,688	173
Apartamentos Media Luna, S.A.	Avda La Envia 45. Vicar. Almeria.	Property development		-	50.00%	16,146	16,647	2,059	870
Balsa de Insa, S.L.	C/ de la Lluna, 3. Castellón.	Property development		-	24.50%	1,901	2,578	30	(103)
Banco Inversis, S.A.	Avda de la Hispanidad, 6. Madrid.	Monetary broker		9.04%	-	8,801	-	97,422	5,238
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería.	Plague Integral Controller		-	22.19%	298	3,292	1,470	(174)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Insurance		50.00%	-	3,381	32,156	6,338	312
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería.	Insurance		50.00%	-	4,508	375,738	49,407	17,731
Cultipeix S.L. (b)	Camino Etxebarria, s/n. Burriana. Castellón de la Plana.	Fish farming		-	21.28%	-	22,530	(4,933)	(11,549)
Inversiones Turísticas y Hoteleras INMO, S.L. (c)	Avda. de la Palmera 48, Sevilla.	Property development		-	19.71%	1	8,019	2,691	2,539
Murcia emprende S.C.R., S.A. (d)	C/ Jacobo de las Leyes, 12. Murcia.	Inversión en capital riesgo		25.00%	-	1,322	5,285	5,269	86
Occidental Arroyomolinos, S.L.	C/ Princesa, 3 Duplicado, 1ª planta. Apartamento 113. Madrid.	Property development		-	25.00%	-	21,405	(109)	(1,029)
Parque Científico- Tecnológico de Almería, S.A. (e)	Campus Universidad Almería. La Cañada S. Urbano. Almería.	Management of shopping areas		30.05%	-	4,800	55,740	17,594	(1,295)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería.	Consulting in quality and agricultural procedures		-	24.90%	-	287	121	49
Sabinal Agroservicios, S.L.	Carretera de Ronda , 11, 1º-E. Almería.	Agricultural cooperative services		50.00%	-	23	48	48	(0)
Savia Biotech, S.A. (f)	C/ Magistral Dominguez, 11-3º. Almería.	Biotechnology applied to agriculture		19.23%	-	-	772	370	(960)
Tino Stone Group, S.A. (g)	Pol. Ind. Rubira Sola, s/n. Macael. Almería.	Construction subcontractor		24.96%	-	-	80,414	(16,906)	(4,555)
						41,200	**630,933**	**162,385**	**7,069**

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Society in liquidation process
(c) Audited by Hemisfinan Auditores, S.L.
(d) Audited by Deloitte auditores, S.L.
(e) Audited by Audiconsa Auditores, S.L.
(f) Audited society by Gap Auditores, S.A.
(g) Audited society by ACR Auditors Group, S.L.P.

Appendix I Breakdown of shareholdings at 31 December 2011

The details regarding the entities participating in the Group and the jointly-controlled entities whose balance sheets and income statements are integrated using the full and proportional consolidation methods are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Group entities								
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/Sa¡n Bartolomé nº 2. Alicante	Cooperative credit union	-	-	-	149,991	17,737	438
Caja Rural de Casinos, S.C.C. (a)	Plaza Mayor 10. Casinos. Valencia	Cooperative credit union	-	-	-	43,778	4,811	171
Cajamar Gestión S.G.I.I.C., S.A.U. (a)	C/ Goya, 15-2º. Madrid	Fund manager	100.00%	-	2,579	2,577	2,568	(270)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza de Barcelona, 5. Almería	Insurance broker	100.00%	-	60	1,983	162	36
Cajamar Renting, S.L.U. (b)	Plaza de Barcelona, 5. Almería	Rental of all types of goods	100.00%	-	59	59	59	-
Cimenta2 Gestión e Inversiones, S.L.U. (a)	Calle General Segura nº 8, entre planta. Almería	Property development	83.13%	-	65,549	398,750	72,481	(18,828)
Eurovía Informática, A.I.E. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provision of technological services	96.00%	1.00%	3	615	3	-
Eurovía Tecnología S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Computer applications and supplies consultant	-	100.00%	12	120	28	2
Grupo Hispatec Informática Empresarial, S.A.U. (a)	Ctra. Sierra Alhamilla, s/n. Edif. Celulosa, 2ª planta. Almería	Provider of IT services	100.00%	-	2,554	8,136	2,060	(1,719)
Hotel Envia Golf, S.L. (a)	Avda Mariano Hernández,50. Roq. De Mar.Almeria	Property development in Envia Golf and Las Salinas	-	83.13%	13,427	20,966	13,427	(2,292)
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7. Almería	Holding company	100.00%	-	7,681	16,717	5,136	(4,469)
Talia Formación S.L.U. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	Adult education and other types of education	-	100.00%	42	225	78	16
Tarket Gestión, A.I.E. (a)	Camino de la Goleta, s/n. Edif. Hispatec. Almería	General services	95.00%	2.00%	3	427	3	-
					91,969	**1,921,558**	**216,386**	**(23,956)**
Multigroup entities								
Safei Rural Málaga, S.A. (b)	Plaza de la Marina, 1. Málaga	Fiancial broker	50.00%	-	17	35	35	(1)
					17	**35**	**35**	**(1)**

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.
(b)No activity

At 31 December 2011 associated entities measured using the equity method are as follows:

			% shareholding		Thousands of euros			
Company	Address	Activity	direct	indirect	Net carrying value	Assets	Equity	Results
Asociated entities								
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	Property development	-	17.78%	-	3,588	616	213
Almagra Pro-2000, S.L.	Avd. Virgen del Rocío, Resd. Guadalcántara, Local 2. Málaga	Property development	23.50%	-	7	29	26	(3)
Apartamentos Media Luna S.L.	Avda La Envia 45. Vicar. Almeria	Property development	-	41.57%	16,146	16,366	2,047	860
Biocolor, S.L.	Carretera de Ronda , 11, 1º. Almería	Plague Integral Controller	-	22.19%	378	3,289	1,837	(172)
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	1,963	11,652	3,328	(835)
Cajamar Vida, S.A. de Seguros y Reaseguros (a)	Plaza de Barcelona, 5. Almería	Insurance	50.00%	-	4,508	200,832	45,503	14,585
Cultipeix S.L. (b)	Camino Etxebarria, s/n. Burriana. Castellón de la Plana	Insurance	-	21.28%	-	22,530	(4,933)	-
Iniciativas económicas de Almería S.C.R., S.A. (a)	C/ Magistral Dominguez, 11-3º. Almería	Venture capital investment	24.97%	-	1,383	5,270	5,233	(472)
Inversiones Turísticas y Hoteleras INMO, S.L. (d)	Avda. de la Palmera 48, Sevilla	Property development	-	19.71%	-	15,308	2,903	(3,931)
Murcia emprende S.C.R., S.A. (c)	Avda. de la Fama, 3. Murcia	Venture capital investment	25.00%	-	1,196	4,777	4,754	(110)
Occidental Arroyomolinos, S.L. (f)	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	-	24,327	1,439	(12)
Occidental Benalmádena, S.L. (f)	C/ Princesa, 3 Duplicado, 1ª planta. Madrid	Property development	-	25.00%	-	34,184	1,495	(426)
Parque Científico- Tecnológico de Almería, S.A. (e)	Campus Universidad Almería. La Cañada S. Urbano. Almería	Technological park in Almeria	30.05%	-	4,800	49,951	16,119	(267)
Proyecta Ingenio, S.L.	Avda. Cabo de gata, 23. Almería	Consulting in quality and agricultural procedures	-	24.90%	2	161	103	51
Sabinal Agroservicios, S.A.	Carretera de Ronda , 11, 1º-E. Almería	Agricultural cooperative services	50.00%	-	24	48	48	(234)
Savia Biotech, S.A.	C/ Magistral Dominguez, 11-3º. Almería	Biotechnology applied to agriculture	19.23%	-	402	2,643	2,121	(94)
Tino Stone Group, S.A. (g)	Pol. Ind. Rubira Sola, s/n. Macael. Almería	Construction subcontractor	24.96%	-	5,659	112,840	12,613	(736)
					36,596	**513,858**	**97,464**	**8,598**

(a) Audited by PriceWaterhouse Coopers Auditores, S.L.
(b) Audited by ACR Auditors Group, S.L.
(c)Audited by Asensio y Asociados Auditores Consultores, S.L.U.
(d)Audited by Deloitte auditores, S.L.
(e) Audited by Audiconsa Auditores, S.L.
(f) Audited by Ernst & Young Auditores, S.L.

Appendix II Details of branches by geographic area

Province	Nº of GCC Branches 2012	Nº of GCC Branches 2011
ANDALUCIA	**380**	**393**
Almería	192	197
Cádiz	14	14
Córdoba	5	4
Granada	24	26
Huelva	3	3
Jaén	4	3
Málaga	134	142
Sevilla	4	4
ARAGÓN	**1**	**1**
Zaragoza	1	1
ASTURIAS	**1**	**1**
BALEARES	**26**	**28**
CANARIAS	**67**	**-**
Las Palmas	51	-
Santa Cruz de Tenerife	16	-
CANTABRIA	**2**	**2**
CASTILLA LA MANCHA	**19**	**22**
Albacete	7	9
Ciudad Real	1	1
Cuenca	9	9
Guadalajara	1	1
Toledo	1	2
CASTILLA LEÓN	**97**	**116**
Avila	7	9
Burgos	3	3
León	11	11
Palencia	18	20
Salamanca	1	1
Segovia	2	2
Soria	1	1
Valladolid	51	66
Zamora	3	3
CATALUÑA	**84**	**69**
Barcelona	58	62
Gerona	2	4
Lérida	1	1
Tarragona	23	2
COMUNIDAD VALENCIANA	**603**	**128**
Alicante	133	24
Castellón	136	1
Valencia	334	103
GALICIA	**3**	**2**
A Coruña	2	1
Ourense	1	1
LA RIOJA	**1**	**1**
MADRID	**44**	**51**
MURCIA	**190**	**190**
NAVARRA	**2**	**1**
CEUTA	**1**	**1**
MELILLA	**1**	**2**
	1,522	**1,008**

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:

   At the end of 2012 the Group did not maintain any agreement in force with any person designated to render financial services.

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 2012 the Group maintained the agreements signed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito with the persons designated by them to recruit customers or to promote and market operations and services.

Province	Name	Scope of activity
Almería		
	D. JOSÉ ANTONIO GODOY GARCÍA	Fondón
	D. JOSÉ MARTÍNEZ CARMONA	Paterna del Río y Bayárcal
	D. JOSÉ LUIS MATARÍN GUIL	Alboloduy, Santa Cruz de Marchena (*), Alsodux (*) y Alhabia (*)
	D. FRANCISCO ORTA TORRES	Instinción y Rágol
	Dña. DOLORES RUBIO ALMANSA	Benizalón, Benitagla (*) y Alcudia de Monteagud (*)
	D. CECILIO SOLBAS MARTÍNEZ	Terque y Bentarique
Málaga		
	Dña. RAQUEL BERBEL CAPILLA	Alcaucín
	Dña. MARÍA CONCEPCIÓN RAMOS PASCUAL	Iznate
	Dña. CARMEN SOTO HERNÁNDEZ	Totalán
	D. ADRIANO VELA GÓMEZ	El Borge
Castellón		
	COOPERATIVA AGRÍCOLA SAN BARTOLOME DE ALFONDEGUILLA COOP. V.	Alfondegutia
	COOPERATIVA AGRÍCOLA SAN BARTOLOME DE ADZANETA COOP. V.	Adzeneta
	COOPERATIVA AGRÍCOLA SAN ISIDRO DE CERVERA DEL MAESTRE, COOP. V.	Cervera del Maestre
	COOPERATIVA AGRÍCOLA LA PROSPERIDAD DE MONCOFA, COOP. V.	Moncofa
	COOPERATIVA AGRÍCOLA SAN BARTOLOME DE TORRE EMBESORA, COOP. V.	Torre D'en Besora
	COOPERATIVA AGRÍCOLA SAN BARTOLOME DE VILANOVA D'ALCOLEA, COOP. V.	Vilanova D'alcolea
	COOPERATIVA AGRÍCOLA SAN ANTONIO DE LA JANA, COOP. V.	La Jana (Les Alboredes)
	COOPERATIVA AGRÍCOLA SAN ISIDRO DE TIRIG, COOP. V.	Tirig
	COOPERATIVA AGRÍCOLA SAN MARCO DE XERT, COOP. V.	Chert
Tarragona		
	COOPERATIVA AGRÍCOLA LA CAIXA DE MAS LLORENÇ.	Masllorenç/Bonastre

Appendix IV Details on the main figures of the financial entities of the Group

Thousands of euros

Group Entities	Assets	Liabilities	Equity	Net interest income	Gross income	Net operating income	Profit before tax	Profit for the period
Caja Rural Canarias, S.C.C.	1,183,387	1,102,379	81,008	29,469	40,750	9,237	2,220	1,200
Caja Rural de Torrent, S.C.C.	655,382	614,698	40,685	10,981	4,985	(30,584)	(31,374)	(23,138)
Credit Valencia Caja Rural, C.C.V.	597,449	582,226	15,223	11,349	(380)	(22,547)	(23,615)	(17,177)
Caixa Rural Vila-Real, S.C.C.	366,772	348,304	18,468	7,532	10,287	1,233	534	385
Caixa Rural Altea, S.C.C.V.	232,816	208,426	24,390	6,059	3,204	(43)	(713)	(487)
Caja Rural San Jose de Burriana, C.C.V.	221,190	200,378	20,812	4,153	8,692	(923)	(917)	(669)
Caja Rural San José de Nules, S.C.C.V.	165,520	157,821	7,698	2,525	3,112	(5,840)	(6,011)	(4,479)
Caixa Rural de Callosa de Sarria, C.C.V.	164,628	150,147	14,481	3,385	1,505	(1,873)	(1,763)	(1,294)
Caja de Crédito de Petrel, Caja Rural, C.C.V.	150,229	132,083	18,146	3,850	5,487	1,254	1,248	666
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	127,664	121,673	5,991	1,934	2,647	(3,095)	(3,108)	(3,063)
Caja Rural de Cheste, S.C.C.	113,412	103,790	9,622	2,127	315	(971)	(1,373)	(1,000)
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	109,402	99,370	10,032	2,438	1,696	470	475	355
Caja Rural de Alginet, S.C.C.V.	88,395	81,522	6,873	1,871	1,877	(582)	(672)	(483)
Caja Rural de Villar, C.C.V.	69,626	64,012	5,614	1,979	(447)	(2,945)	(2,945)	(2,195)
Caixa Rural de Turís, C.C.V.	50,986	44,461	6,525	959	1,250	(1,402)	(1,429)	(1,076)
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	49,164	45,415	3,749	1,063	(152)	286	285	203
Caja Rural de Casinos, S.C.C.	44,101	39,931	4,170	940	1,057	(1,000)	(1,010)	(752)
Caixa Rural Albalat dels Sorells, C.C.V.	38,361	34,215	4,146	687	923	(3,354)	(4,079)	(3,055)
Caja Rural San Roque de Almenara, S.C.C.V.	36,023	33,029	2,994	776	257	229	231	171
Caja Rural San Isidro de Vilafamés, C.C.V.	31,056	28,497	2,559	641	(14)	(45)	(44)	(32)
Caja Rural la Junquera de Chilches, C.C.V.	26,067	23,565	2,502	667	186	80	81	69

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

Consolidated Management Report

Year 2012

GRUPO COOPERATIVO CAJAMAR

Macroeconomic Environment

- The adjustment of the **Spanish economy** intensified in the last few months of 2012 owing to the pressure of internal demand which is in free fall, conditioned by the fall in disposable income and employment, the rise in taxes and the drop in public expenditure. In the fourth quarter of the year, GDP fell by 8 tenths on a quarter to quarter basis (five tenths more than in the third quarter), a year-on-year fall of -1.9 %. As a result, GDP fell by an overall -1.4 % in 2012.

- In aggregate terms, internal demand fell by -3.9 %, which was partly offset by the export sector's contribution to growth of 2.5 %. Exclusively on the basis of the last quarter of the year, which posted the greatest decline, the contribution of internal demand was negative by -4.7 points, partly offset by exports which grew by 2.8 points.

- With respect to internal demand, private consumption fell by -2.5 % while public demand dropped by -3.7 %. Investment fell by more than -10 %. In 2012 the devaluation of costs intensified, specifically labour costs (the fall in the unit labour cost amounted to -5.8 % at the end of the year).

- Moreover, although external demand grew GDP by 2.8 points, the momentum of exports which had until now provided some breathing space, declined in the last part of the year due to the downturn in the European economy (GDP in the Eurozone, Spain's main business partner declined by -0.6 %, quarter on quarter, in the last three months of the year). Exports fell by -0.9 % in the last quarter following an increase of 5.1% in the period July to September.

- The 1.4% fall in the Spanish economy in 2012 came after two consecutive years in which the rate of change in GDP remained unchanged (0.42 % in 2011 and -0.32 % in 2010), and the marked fall of -3.7% in 2009.

- The **annual inflation rate (CPI)** stood unchanged in November and December at 2.9%. Underlying inflation (the general index not taking into account unprocessed foods and energy products) dropped by two tenths to 2.1 %. As a result, the difference with the general inflation rate increased to eight tenths. Lastly, the harmonised inflation rate also remained consistent with respect to the previous month at 3%.

- During 2012 there was no change in the trend in the inflation rate. During the first six months of the year, prices remained stable at around 2 %. However, the second half of the year saw inflation climb, peaking in October at 3.5% following the increase in VAT in September and the increase in other product prices, such as medicines and university fees. In November inflation fell to 2.9%, where it finally ended the year. However, prices would have developed very differently not taking into account the rise in taxes this year. Of the 2.9 point increase, two points relate to tax effects and therefore inflation, excluding taxes, would have been running at 0.9% in 2012.

- **Unemployment** at the 2012 year end stood at 4.8 million people, following a drop of 59,094 in December (-1.2 %). This was the best December in history since if unemployment figures are analysed for December, we need to go back to 1998 to see a comparable fall when unemployment fell by 36,982. The fall in December brought four consecutive months of rising unemployment to an end.

- Nonetheless, despite the positive figures for December, the employment market suffered another disastrous year. Specifically, during the year as a whole, unemployment rose by 426,364, representing a percentage increase of 9.6 % compared with 2011. The total number of unemployed at the 2012 year end hit 4,848,723, the highest in the entire comparable history going back to 1996.

- The rise in unemployment in 2012 was higher than that in 2011 and 2010 when unemployment rose by 322,286 and 176,470, respectively, but less than in 2008 and 2009, when public employment figures put the number of unemployed at 999,416 and 794,640. The rise in 2012 was therefore the third highest annual increase in unemployment in comparable terms and therefore the highest since the start of the crisis. Moreover, the negative performance of Social Security affiliation in 2012 probably hints at marked increases in unemployment in the next few years.

- The **Ibex 35** ended 2012 at 8,167.5 points, down -4.66% on the year. This fall makes it the only major European index that posted a fall, brought about by the downturn in the Spanish economy, the reforms started up by the Government to meet the demands of Brussels and the serious attacks on Spanish sovereign debt.

- It was a difficult year for the Spanish stock exchange. During the summer, at the height of fears concerning a European bailout, it lost more than 30% of its value, which it recovered gradually in the second half of the year, ending almost on a positive note. The stock market ended the first half of the year with an accumulated fall of -17 %, affected mainly by the sovereign debt crisis and suspicions over Spain and its banking sector. Volatility intensified in the summer with the request for the bailout of the banking system which pushed the Ibex 35 to its lowest value during the year. In fact, most of the summer was marked by the pressure on Spanish debt, the deterioration of the macro-economic situation, the slow-down in emerging countries and weak company results, pushing it under the 6,000 point mark. August was the turning point in the performance of the Ibex, with the announcement of the creation of the bad bank and the imminent European bailout for the banking sector. In September came the final boost with the ECB announcing that it would intervene in the markets to help peripheral countries with difficulties in securing financing such as Spain. This announcement took pressure off the risk premium and enabled the Spanish market to recover through to the end of the year.

- On the debt market, the Spanish **risk premium** ended the year under the psychological threshold of 400 base points (395 b.p). However, in July 2012 Spain's country risk reached its maximum level since the creation of the euro, 658 base point, with interest on Spanish reference bonds amounting to 7.51 %, from the year's low of 299.8 base points in February.

- On the currency market, the **euro** ended 2012 at $1.319 ($1.296 in December 2011), representing an increase of more than 9% from the annual minimum of $1.206 on 24 July , coinciding with the time of the greatest uncertainty over the single currency's future. Since then, the appreciation of the euro already has already pushed it to levels which may jeopardise the competiveness of European exports. This rise in the euro was triggered by the fall in financial pressure in Europe, as well as to a large extent, to the drop (in some cases, brought about by force) in safe-haven currencies. The currency devaluation carried out by some countries to weaken their currency and thus stimulate growth triggered the passive appreciation of the single currency. Specifically, the expansionary policies adopted by the Bank of Japan and the US Federal Reserve ended by reducing the value of the yen and dollar, in this latter case, in a more indirect manner.

- For Europe, 2012 started with the positive inertia of the encouraging macro-economic figures published at the end of 2011 and the ECB's long-term refinancing operations (LTRO) , which avoided a major credit crisis by replacing financing prior to the closing of the markets and indirectly lifted pressure off the sovereign debt of peripheral countries. However, as the year advanced, Europe's economic weakness and the absence of political agreement, brought to a halt by German resistance, increased the uncertainty, tension on financial markets peaking in the summer. The ECB's actions half way through the year were key to taking pressure off the markets when the situation was becoming unsustainable for peripheral companies. Mr Draghi's public commitment to take all the necessary measures to safeguard the euro together with the announcement of the programme for the unlimited purchase of non-core sovereign debt, were basic to the normalisation of the markets.

- With respect to the interest rate scenario in 2012, prudence and the aim of controlling inflation continued to focus the ECB's agenda. Nonetheless, in July the deterioration of the European economy and absence of pricing pressures (with inflation levels supported by tax changes and increases in energy prices) required the ECB to bring down official interest rates by a quarter of a percentage point from 1.00 % where they had been since December 2011 to 0.75 %, a historical low in the Eurozone. This and expectations of further cuts in early 2013 pushed the Euribor at 12 months to its sixth historical low in the year in December (0.549 % compared with 2.004 % at the end of 2011), following thirteen consecutive months of falls, the last four, to below the official price of money. However, the improvements noted during the last part of the year (increasing share prices, declining concerns over bond markets, volatility at minimum levels, increasing capital flows, increasing deposits in peripheral country, etc.) amended the ECB's discourse in early 2013, curbing expectations of further interest rate cuts.

- Within this context, marked by the weak macro-economic situation, 2012 was a year of restructuring, concentration, recapitalisation and adjustment to guarantee the solvency of entities and strengthen confidence in the sector by financial markets and customers in general, which had a negative impact on the income statement.

- During this process of analysis and readjustment of the sector, it was subject to significant regulation throughout the year, starting with Royal Decrees 2/2012 and 18/2012, which noticeably increased the requirements for provisions for assets related to the real estate development sector. Subsequently the stress tests performed of the 14 leading banking groups revealed initial capital needs of €59,300 million for 7 entities, not taking into account the integration processes and tax effect, 38% of the loan portfolio. This was less than the €100,000 million limit envisaged as financial assistance by Europe (MoU). In order to regulate such concentration processes and public assistance, new legislation was issued through Royal Decree Law 24/2012 and Law 9/2012 on the restructuring and resolution of credit entities, establishing the creation of "Sociedad de Gestión de Activos procedentes de la reestructuración bancaria" (SAREB) and tightening core capital requirements increasing them to a single rate of 9.0% as from 1 January 2013. The Group 1 entities, i.e. those which are owned by the Fund for the Orderly Restructuring of the Banking Sector (FROB), finally received an injection of capital of €36,968 million in 2012 and transferred real estate assets amounting to €36,695 million to SAREB.

- It is to be expected that all these developments will have an impact next year with an increase in the sector's solvency and profitability, strengthening confidence in financial markets and the continuation of the restructuring process and adjustment of their capacity within an economic scenario marked by the on-going fall in lending and rising unemployment and bad debts, where recovery will have to wait until 2014.

Business Evolution

- Cajamar Caja Rural successfully undertook two merger processes in 2012, first of all, in September with Caja Rural de Castellón and, secondly, with Caja Rural del Mediterráneo (Ruralcaja), 9 months after the unanimous approval on 17 January 2012, of the respective General Assemblies of both entities, given rise to a new entity, Cajas Rurales Unidas, entered in the Government Register of Cooperative Companies, on 8 November 2012, further strengthening its leadership in the credit cooperative sector and in particular in the rural savings bank sector.

- Similarly, as a result of the merger with Ruralcaja, Cajas Rurales Unidas (Cajamar) is the parent of the union of the Cajamar Cooperative Group and the CRM Group, made up of 14 Entities, forming the Cajas Rurales Cooperative Group (Cajamar Cooperative Group), which started up activities on 31 October 2012 with 22 entities. In addition, Caja Rural de Canarias, Caja Rural de Vila-Real and Caja Rural de San Vicent de Vall de U'ixo were included in the group.

- The inclusion of a further 18 entities in the Group with respect to the previous year represented an important increase in all aspects of the business. Specifically, t**he total business balance sheet**, which also includes the retail balance sheet business, amounted to €73,989 million, following growth of 41.62 % with respect to the previous year thanks to both the retail business, which accounts for almost 83% of the total and reported year –on- year growth of 43.73 %, and the wholesale business which grew by 32.22 %.

- At 31 December 2012 the **balance sheet of** Cajamar amounts to €43,097 million, up 39.07% on the previous year, with a year on year increase in Loans and advances to other debtors of 34.95 % and Customer deposits of 42.17 %.

- **On-balance sheet funds** amount to € 37,175 million, following a year on year variation of 41.22 %, €10,851 million in absolute terms, of which 71.6 % relates to the boost offered by funds on the retail balance sheet, including the issue of promissory notes of Cajamar and subordinated debt from Ruralcaja and Crédit, which together, at the year end, exceed € 433 million while the remaining 28.4 % relates to wholesale funds. Noteworthy is the obtaining of funds through central bank deposits.

- **Loans and advances to other debtors gross on the balance sheet** amount to €36,814 million after a year-on-year increase of 42.03 %, while loans and advances to other debtors net of bad debts have increased by close to 32%, mainly owing to other resident sectors and public administrations.

- **Doubtful assets** amount to more than €4,672 million, giving rise to a year-on-year variation of 198.91 %, €3,109 million in absolute terms, pushing the final **default rate** up to 12.69 % compared with 6.03% in the preceding year, as has occurred in the sector as a whole, within a scenario marked by the weak credit quality of customers, rising unemployment and the adjustment of the construction and real estate development sector.

- In 2012 the Group fulfilled the legislative requirements concerning write-downs in the financial sector in the year with no need for public assistance and, leaving the **coverage rate** at 54.45 % in just one year, 19.21p.p. more than in the preceding year.

- In line with events in the financial sector in general, given the economic crisis in Spain, the reduced solvency of sovereign debt, financing difficulties and the vulnerability of entities, the ratings of various financial institutions were cut. In this context, at the end of the year, the rating agency Fitch assigned the Cajas Rurales Unidas Group a BB rating for its long-term debt and «B» for its short-term debt.

- At the year end the Cajamar Cooperative Group has 7,319 **professionals,** of whom 6,312 pertain to Cajamar, distributed throughout a branch office network of 1,521 **branches throughout** Spain, mainly in the Autonomous Regions of Valencia, Andalucía and Murcia.

Clients

- The Group sums up at 31 December 2012 more than 4,000,000 **clients,** after registering a growth of more than 1,424,000 in the whole year, of all the clients, 93.0% are natural persons.

Equity

- **Equity** registers a growth of 610 million Euros, which let it reach 2,003 million Euros.

- The total **number of members** at the group increases in more than 413,000 and it goes over 1,224,000, 1,085,972 of which belong to Cajamar. Of all member 93.4% are natural persons.

Risk management

- **Note 6** to the annual accounts, which forms part of the Consolidated Annual Accounts, contains a detailed analysis of the situation at the year-end and the management carried out in 2012 of the various types of risks faced by the Group (credit risk, market risk, liquidity risk, interest rate risk, operating risk and exchange-rate risk.

Results

- The **interest margin** grew by 48.31%, totalling €568.6 million thanks to the increase in the main business figures as a result of the contribution of the 18 entities included in the Group, the adequate management of business margins, both assets and term deposits, the restructuring of the Entity's financing sources and the additional income on the acquisition of fixed income securities in the year. All these factors, in addition to the downward trend in interest rates and government pressure on credit institutions to contain the cost of traditional deposits have given rise to year-on-year growth of financial income of 15.87 % and a fall in financial costs of 4.89 %.

- The fall in gains on financial transactions and the rise in operating expenses, due to the increase in the contribution to the deposit guarantee fund under Royal Decree Law 19/2011, which increased the contribution to 2 per thousand of guaranteed deposits or Circular 3/2011, which established additional contributions for term deposits bearing interest in excess of certain rates, according to the term of the deposit or its at sight nature, was partly offset by the increase in net fees for services provided. This led to an increase in the **gross margin** of €763.5 million, up 23.54 % on the previous year.

- **Administrative costs** (which includes administration costs and amortization expense) have increased by 10.30 % compared with the previous year, mainly due to the increase in the expense attributable to the inclusion of new entities since the Group is involved in an on-going process designed to contain the increase in administration expenses and optimise the commercial network. This rate is, however, far lower than the increase in gross revenues, which results in a year-on-year increase in the **operating margin** of 45.30 %, leaving it at €339.7 million.

- Following **appropriations to provisions and losses on the impairment of financial assets**, in accordance with regulatory requirements concerning bad debts at credit institutions, under Royal Decree Law 2/2012, on the adjustment of the financial sector and Royal Decree Law 8/2012, on the write-down and sale of the real estate assets of the financial sector, in one go and without public assistance due to the strength of the Entity's equity, the Entity reported a loss of €-917.3 million **on operating activities** compared with a profit of €111.2 million in 2011.

- The Entity appropriated €1,179.7 million to cover **impairment losses on financial assets,** leaving a fund for bad debts on loans and advances of €2,539.7 million, up 362.08 % on the previous year.

- Specifically, the Group appropriated €308.5 million to **impairment losses on other assets**, which relates mainly to the write-down of foreclosed assets and assets in dation of payment which have been on the balance sheet for more than one year.

- The **loss before tax** reported by the Entity at the year end of € -1,278.5 million generated an available tax credit of €343.3 million, which finally leaves the **net loss at €**-939.2 million, less €4.0 million that the Cajamar Cooperative Group has appropriated to the education and promotion fund in 2012.

- Nonetheless, it should be noted that **the new Cajamar Cooperative Group**, which started up activities in early November, totally and successfully reorganized in accordance with regulatory rules, reported a **net profit** in the last two months of 2012 of €53.8 million.

- The Cajamar Cooperative Group will continue to apply the same cooperative principles and values that have made it into such a successful organisation but more consolidated in the Cajas Rurales group, and with the clear objective of leveraging the business opportunities offered by a wide network of branch offices that are managed by good professionals ready to provide a quality service to our customers and shareholders.

Efficiency

- **Efficiency** in Cajamar increased by 6.66 p.p. to 55.50% at the 2012 year end since the increase in revenues was far higher than the rise in operating expenses.

Solvency

- At 31 December 2012 the Cajamar Cooperative Group's **computable capital** amounts to €2,419 million, representing an excess of €449 million with respect to minimum capital requirements.

- At the year end **the Cajamar Cooperative Group's** coefficient of solvency amounts to 9.8%, 1.8 p.p. in excess of the regulatory minimum (8%) while its core capital ratio stands at 9.2 %, which is lower than the previous year's rate due to compliance with the higher provisioning levels required by the Regulator for bad debts in credit institutions in order to reduce the exposure resulting from the real estate crisis and grow investor confidence in the Spanish financial sector.

- In turn, these ratios also comply with Law 9/2012, on the restructuring and resolution of credit institutions, which sets core capital at 9% as from 1 January 2013.

- At 31 December 2012 **capital requirements** amount to €1,970 million, of which 92.4% relates to **credit, counterparty, dilution and delivery risk.**

Technology projects, alternative channels and R&D

The most important milestone in 2012 was undoubtedly the **formation of Cajas Rurales Unidas and the Cajas Rurales Unidas Group**. Hard and intense work was required to successfully complete in record time the technical and operational integration of the new entities of the CRM Group and the two merger processes undertaken by Cajamar.

Of the 22 entities making up the Group at 31 December 2012, only the operational and technical integration of Caja Rural de Canarias, Caja Rural de Vila-Real and Caja Rural Sant Vicente de la Vall D'Uixo,is pending and is expected to be completed in the first half of 2013.

Therefore, in view of the scale of the process, with the inclusion of more than 550 new branch offices and 14 more entities, it has been necessary to restructure and reorganise Central Services in order to optimise processes and automate tasks to provide a quality service to the commercial network and therefore to our customers and shareholders.

From a technological viewpoint, in addition to the installation of the Cajamar platform, work was undertaken on job virtualisation to save travel time and costs, expand the IT systems, unify telephony and communication systems and integrate the payment means of all the new entities included in the Group.

Similarly, it was necessary to reconsider the commercial network structure, the standardisation of the commercial plan and the on-going training and exchange programmes to show employees the technological platform of Cajamar and the customer management channels, processes and tools as quickly and smoothly as possible.

Of the projects undertaken, noteworthy for CRM entities is the creation of 14 independent public webpages, which are a major showcase of the products and services offered by each Entity to the varying market niches.

Several of the major projects undertaken this year and which stem from the previous year focus on the saving of resources and improvement of procedures, in short, on improving efficiency:

- ✓ *Project for calculating Customer Value (LCV):* consisting of establishing an indicator of "customer's commercial quality", which will be a determining factor when analysing rates and authorising product requests and fee settlements.

- ✓ *Online report authorising /rejecting requests:* this is an automatic process enabling authorisation at the time the request is made for both surcharges and the settlement of fees using the analysis performed through the LCV.

- ✓ *Implementation of the Operational Management System:* new system complementary and parallel o the Commercial Management System, aimed at the management of operational and / or administrative tasks, all within the same application and environment.

- ✓ *Improvements in the Commercial Management System:* such as extending commercial alerts to a greater number of operators, linking clearance formalities to product additions, categorizing and prioritizing sales opportunities and alerts, improving the visualisation of potential customers by segment, priority and type etc.

- ✓ *Implementing new tools to recognise and manage properties*: in order to automate the obtention and management of information concerning properties with a view to meeting the new requirements laid down by the Bank of Spain and facilitate access by user branch offices.

In 2012 the channels used by customers complementary to the branch network were strengthened. The most noteworthy actions were as follows:

- ✓ *Mis Finanzas:* A tool made available to electronic banking customers for the personal management of their financial products, enabling the planning of income and expenses, deviations and the balance of savings and loans. It is a highly useful tool for controlling household expenditure.

- ✓ *Web transfers*: on-line service enabling issuers of receipts, salary statements, transfers, credit advances or direct debt to handle their overall management, with no need to install a specific program in the customer's computer.

- ✓ *Virtual Mail Box:* aimed at the de-activation of mail with the relevant cost saving for the company and comfort for the customer.

- ✓ *New electronic banking services:* new functionalities have been made available to customers such as the deposit of cheques through consignments, opening of accounts abroad, payment of taxes through cards, new general enquiries concerning cards, payment of receipts through bar code readings using the camera, possibility to change to satellite view in the search engine for branches and ATMs, etc.

Also it is worth highlighting a continued growth in the use of direct channels by the clients in the last year, going over 908,000 users in at 31 December 2012. These clients executed during 2012 more than 168 million operations and online consults, a 19% increase comparing to the previous year, through which more than 25,800 million Euros have been moved. All in all, a year of good online banking health has concluded and a permanent bet from Cajamar for the new technologies.

Subsequent events

- Independent of the matters mentioned in these notes to the accounts, between 31 December 2012 and 21 March 2013, 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.

Annual Corporate Governance Report

To better understand and fill in this model report, the instructions included at the end should be read.

A) PROPERTY STRUCTURE

A.1. List of the most significant shareholders or participants in the entity at the closing date:

Name or business name of shareholder or stakeholder	% of share capital

A.2. Indicate family, commercial, contractual or corporate relationships among significant shareholders or participants known to the entity, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related individuals or businesses	Type of relationship	Brief description

A.3. If there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the entity, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related individuals or businesses	Type of relationship	Brief description

B) MANAGEMENT STRUCTURE AT THE ENTITY

B.1. Board of Directors or Governing Body

B.1.1. Indicate the maximum and minimum number of directors or members of the governing body established in the by-laws.

Maximun number of Board members	23
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
JUAN DE LA CRUZ CARDENAS RODRIGUEZ		08-11-2012	EXECUTIVE BOARD MEMBER
MANUEL YEBRA SOLA		08-11-2012	EXECUTIVE BOARD MEMBER
ANTONIO LUQUE LUQUE		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO LORENTE BROX		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
PASCUAL RICARDO CANDEL MARTINEZ		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
JERONIMO MOLINA HERRERA		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
LUIS ROBLEDO GRAU		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
MARIA GADOR VILLALOBOS MEJIA		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
JUAN CARLOS RICO MATEO		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO MARTINEZ-COSENTINO JUSTO		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
CARLOS PEDRO DE LA HIGUERA PEREZ		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
FRANCISCO JAVIER RAMIREZ ARCEO		08-11-2012	OTHER EXECUTIVE BOARD MEMBER
MARIA LUISA TRINIDAD GARCIA		08-11-2012	OTHER EXECUTIVE BOARD MEMBER

B.1.3. Name the Board members or governing bodies, if any, who are also directors or executives of other companies in the same group as the entity:

Name or business name of shareholder or stakeholder	Social denomination of the Group Entity	Post

B.1.4. Complete the following table regarding the aggregated remuneration of the members of the administration boy, accrued during the year

Remuneration item	Thousands of Euros	
	Individual	Group
Fixed remuneration	984	0
Variable remuneration	0	0
Allowances	396	0
Other Remunerations	28	0
Total:	**1,408**	**0**

B.1.5.Identify the members of senior management who are not Directors or members of the executive management and indicate the aggregate compensation accrued to them during the year:

Name or business name	Post
MANUEL YEBRA SOLA	GENERAL MANAGER
JESUS FERNANDO MARTINEZ USANO	GENERAL MANAGER OF CONTROL
Total remuneration for senior management (in thousands of euros)	**771**

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	4

B.1.7. Indicate whether the individual and consolidated annual accounts presented to the Board or governing body for approval were previously certified:

Yes	NO x

If appropriate, name the person(s) who certify the Entity's individual or consolidated annual accounts before they are approved by the Board or governing body:

Name or business name	Post

B.1.8. Explain the mechanisms, if any, established by the Board or governing body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

One of the duties of the Audit Committee is to maintain relationships with external auditors to, among other things, receive information regarding the audit of the annual accounts.

The external auditors present this information to the Audit Committee before the preparation of the Entity's annual accounts, specifically, during the final Committee meeting of the year, including the preliminary conclusions of the audit work carried out until that time and, notwithstanding the result of audit work that could be pending execution at that date, provides a draft opinion from the external auditors regarding the annual accounts.

In the event that there is any qualification in the preliminary conclusions prepared by the external auditor regarding the annual accounts, the Audit Committee will report this to the Governing Body at the following meeting. The Governing Body may therefore evaluate the possibility of modifying the financial statements and correcting any qualifications that may have been imposed by the auditors in their preliminary conclusions.

B.1.9. Is the secretary to the board or the governing body a voting director?

Yes x	No

B.1.10. Describe any mechanisms established to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

<u>1. Auditor Independence</u>

That the Audit Committee meeting held on 24 March 2011 the Committee verified compliance by the auditor (currently the firm PricewaterhouseCoopers Auditores S.L.) with requirements, specifically reporting on the absence of any situation that could compromise the independence of the auditor's work.

In addition information was provided relating to compliance by the members of the team with the rotation rule (maximum of 7 years).

This information, and express mention of compliance with applicable international and domestic legislation, especially the Audit Act, has meant that at that meeting the legal compliance of the Auditor and its independence was verified

2. Independence of the rating agencies, financial analysts and investment banks

Within the principle of transparency, which must prevail with respect to the Entity's operations in financial markets, it establishes the mechanisms and procedures that are adequate to ensure that credit risk rating agencies, financial analyst and that the banks are informed of all information that may be relevant to analyze Cajamar within a framework of independence.

The Agent Financial Information Reporting Area is responsible, as its name indicates, for relationships with the credit rating agencies and ensures that they have immediate access to correct and accurate information that will facilitate their analysis and obtaining conclusions with the highest degree of independence possible.

B.2. Committees appointed by the Board of Directors or Governing Body

B.2.1. List the governing bodies:

	N° of members	Functions
EXECUTIVE OR DELEGATED COMMITTEE	7	THOSE INDICATED IN POINT B.2.3
GENERAL MANAGER	1	THOSE INDICATED IN POINT B.2.3
AUDIT COMMITTEE	6	THOSE INDICATED IN POINT B.2.3
APPOINTMENT AND REWARD COMMITTEE	5	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	6	THOSE INDICATED IN POINT B.2.3
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	6	THOSE INDICATED IN POINT B.2.3

B.2.2. List all the Board of Directors' or Governing Body Committees and their Members:

Executive or Delegated Committee

Name or business name	Post
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	PRESIDENT
MANUEL YEBRA SOLA	MEMBER
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO LORENTE BROX	MEMBER
PASCUAL RICARDO CANDEL MARTINEZ	MEMBER SECRETARY
JERONIMO MOLINA HERRERA	MEMBER
CARLOS PEDRO DE LA HIGUERA PEREZ	MEMBER

Audit Committee

Name or business name	Post
FRANCISCO LORENTE BROX	PRESIDENT
JERONIMO MOLINA HERRERA	MEMBER
FRANCISCO ELIAS GONGORA CAÑIZARES	MEMBER
MARIA GADOR VILLALOBOS MEJIA	MEMBER
CARLOS PEDRO DE LA HIGUERA PEREZ	MEMBER
FRANCISCO JAVIER RAMIREZ ARCEO	MEMBER

Appointment and Reward Committee

Name or business name	Post

Strategy and Investment Committee

Name or business name	Post

Appointment and Remuneration Committee

Name or business name	Post
FRANCISCO MARTINEZ-COSENTINO JUSTO	PRESIDENT
ANTONIO LUQUE LUQUE	MEMBER
FRANCISCO LORENTE BROX	MEMBER
JUAN CARLOS RICO MATEO	MEMBER
CARLOS PEDRO DE LA HIGUERA PEREZ	MEMBER

Investment and Finance Committee

Name or business name	Post
FRANCISCO ELIAS GONGORA CAÑIZARES	PRESIDENT
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	MEMBER
MANUEL YEBRA SOLA	MEMBER
LUIS ROBLEDO GRAU	MEMBER
MARIA GADOR VILLALOBOS MEJIA	MEMBER
FRANCISCO JAVIER RAMIREZ ARCEO	MEMBER

Risk Committee

Name or business name	Post
JUAN DE LA CRUZ CARDENAS RODRIGUEZ	PRESIDENT
MANUEL YEBRA SOLA	MEMBER
PASCUAL RICARDO CANDEL MARTINEZ	MEMBER
MARIA GADOR VILLALOBOS MEJIA	MEMBER
JUAN CARLOS RICO MATEO	MEMBER
MARIA LUISA TRINIDAD GARCIA	MEMBER

Business Committee

Name or business name	Post
ANTONIO LUQUE LUQUE	PRESIDENT
FRANCISCO ELIAS GONGORA CAÑIZARES	MEMBER
LUIS ROBLEDO GRAU	MEMBER
JUAN CARLOS RICO MATEO	MEMBER
FRANCISCO MARTINEZ-COSENTINO JUSTO	MEMBER
FRANCISCO JAVIER RAMIREZ ARCEO	MEMBER

Corporate Social Responsibility Committee

Name or business name	Post
JERONIMO MOLINA HERRERA	PRESIDENT
PASCUAL RICARDO CANDEL MARTINEZ	MEMBER
LUIS ROBLEDO GRAU	MEMBER
MARIA GADOR VILLALOBOS MEJIA	MEMBER
FRANCISCO MARTINEZ-COSENTINO JUSTO	MEMBER
MARIA LUISA TRINIDAD GARCIA	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 33 of the Entity's bylaws:

- The Governing Board may designate from its members and following the favourable agreement of two thirds of the Directors, an Executive Committee which shall be made up of the Chairman, the Deputy Chairman /Chairmen, the Secretary and a number of Members that shall be defined by the Governing Board that designates the Committee. Similarly, it may appoint Managing Directors.

  In any event, in addition to the commercial and professional honourableness of all the Directors, two of the members in question and the Managing Directors have to have the appropriate knowledge and experience to exercise their functions in the terms required under the Credit Cooperate Regulations.

- The Executive Committee and Managing Directors shall exercise the competences that, following the agreement of the aforementioned majority, reinforced, and in accordance with current legislation, are delegated to them by the Governing Board. However, the permanent delegation of powers and appointments of its members shall not take effect until they are entered in the Mercantile and Cooperative Registers, after such members have been entered in the Senior Official Register of the Bank of Spain.

  The Governing Board has delegated all competences to the Executive Committee except those that cannot be delegated by Law or the bylaws.

- The Executive Committee shall meet at least once a month at the place and on the date and time which it establishes, with no need for other notice or to previously extend a closed agenda. It shall be validly constituted when the meeting is attended by more than half of its members who may not be represented; with respect to the possible presence of other persons, members of General Management, advisors and other specialists of the Entity may be invited to attend together with other persons whose presence and contributions are considered of interest to the Entity. Such persons shall attend without voting rights.

- Resolutions shall be adopted by more than half of the votes validly cast of the members present and the Chairman shall have the casting vote in the event of a draw.

- For each meeting minutes shall be drawn up by the Secretary. The Minutes shall be approved during the meeting itself or in the following meeting, shall be signed by all members present and following approval, shall be transcribed in the corresponding Minutes' book.

- 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.

Audit Committee

The Cajamar by-laws includes the legal provisions covering the Audit Committee and Article 41 of the by-laws creates this body as follows:

<<**Article 41**

The Audit Committee

1. Given the fact that the Caja issues securities listed on official secondary securities market, and in accordance with Additional Provision Eighteen of Law 24/1988 (28 July) on the Stock Market Act an Audit Committee has been created.

2. The Audit Committee will consist of at least four and at most seven members of the Governing Body, who will be designated by express agreement in accordance with the provisions of this Article. The number of members may be specified in the Regulations referred to in the following section.

The members of the Audit Committee will be, in the majority, non-executive Directors on the Governing Body.

The Audit Committee will have a Chairman and a Secretary in the terms indicated in this section.

The Chairman of the Audit Committee will be designated from among the non-executive Directors on the Governing Body, must be replaced every four years and may be re-elected after one year after leaving the post.

The position of Secretary will be regulated by the Audit Committee Regulations. The person holding this position cannot be a member of the Governing Body. If a member of the Governing Body, the Secretary will be elected from among non-executive directors and will have voting rights at the Committee meetings. In the event that the Secretary is not a member of the Govern Body, he/she shall have the right to speak but not vote at meetings.

For the purposes of the provisions of this Article, a non--executive Director will be understood to be any member of the Governing Body that does not have management or executive duties at the Bank or, if employed under an employment or Mercantile contract, the contract cannot be considered to be for a senior manager or to perform duties similar to those carried out by executives.

3. The Audit Committee will be called by the Chairman be a letter, fax, or telegram or e-mail authorized by the signature of the Chairman or the Secretary on the order of the Chairman.

Notice of the meeting will be issued at least three days in advance. The notice will always include the agenda for the meeting and will be accompanied by the documentation that is necessary for each meeting.

The members of the Committee may request all supplementary information that they consider advisable.

When, in the opinion of the Chairman, it is inadvisable for security reasons to include the information, the members will be advised of the possibility of examining the information at the headquarters office.

Extraordinary Committee meetings may be called via telephone and the advance notice and other requirements indicated above will not be applicable when circumstances so justify, in the opinion of the Chairman.

The Committee will be validly called to order when at least one half plus one of its members are in attendance. If the number of directors attending is uneven, a sufficient quorum will be deemed to exist if those present are more than half of the Directors.

The Chairman will organise the debate, ensuring and encouraging the active participation of directors in deliberations.

Resolutions will be adopted by absolute majority of those in attendance. In the event of a tie, the Chairman will have a casting vote.

The Committee will prepare minutes for its meetings and will maintain the Board informed of all matters discussed, the result of its work and the resolutions adopted.

The minutes will include at least the place, and time at which the meeting was held, the time its started and ended, the full text of the notice provided, including the agenda, the list of attendees, statement regarding the sufficient quorum to hold the meeting, the interventions requested to be on the record, and incidents that must be resolved by the Chairman and the transcription of the resolutions adopted and the voting record.

Notwithstanding the content of this Article, the Audit Committee will be governed by Regulations approved by the Governing Body in accordance with the proposal presented by the Committee. This Regulation will develop and specify the Committee's operating rules.

4. The Governing Body will ensure the independence of the Audit Committee, establishing all the measures necessary to comply with its duties and the Entity's employees and bodies must cooperate as necessary to that the Committee can comply with its duties.

In accordance with applicable legislation, the Audit Committee will have the following duties:

a) Inform the General Assembly of any matters that arise within its area of authority.

b) Make proposals to the Entity's Governing Board to be submitted to the General Assembly relating to the appointment of external auditors, in accordance with legislation applicable to the Entity.

c) Supervision of internal audit services.

d) Monitor the financial reporting process and the Entity's internal control systems.

e) Relationships with external auditors to receive information regarding those issues that may put their independence at risk in any other issues relating to the audit process, as well as any other communications established by audit legislation or by technical audit standards.

f) Annual issue, prior to the issue of the audit report on the accounts, of a report, expressing an opinion on the independence of the auditors or audit companies on the accounts, including, moreover, a statement concerning the additional services that the auditors provide in accordance with section 4.5 of Additional Provision 18 of Law 24/1988 on the Securities Market.>>

Additionally, the following is established in the pertinent Regulations:

- The Committee members shall be designated from those directors who have the experience, knowledge and most appropriate personal situation to be a member of the Committee.

- The Directors shall hold their positions on the Board while they are members of the Governing Board in the manner indicated in the Entity's bylaws.

- The members of the Audit Committee may form part of other Committees of the Governing Board provided that there is no legal conflict of interest in this respect.

- The Committee shall prepare annually a report on the actions performed and an action plan for the following year for which it shall be accountable before the Governing Board.

OTHER COMMITTEES APPOINTED BY THE GOVERNING BODY:

The Entity has adopted the resolution necessary to include the necessary legal language in its by-laws regarding Committees Delegated by the Governing Body.

Article 42 of the current by-laws stipulates the following:

<<**Article 42**

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. In any event, an Appointments and Remuneration Committee shall be set up whose resolutions shall exceptionally be executive.>>

The general rules common to the organisation and operation of those Committees as stipulated in their respective regulations are listed below:

a) Designation of Committee members and number of members

The members of the Committee shall be designated from those directors that have the experience, knowledge and the most appropriate personal situation to become a Committee member. The Committee shall be formed by a minimum of three directors and a maximum of seven, as determined from time to time by the Governing Board.

b) 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.

c) 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.No exclusividad del cargo

d) Committee Meetings.

The Committee should prepare an annual plan of ordinary meetings and ordinarily meet, on the Chairman’s initiative, as often as the latter considers it appropriate for the correct functioning of the Entity and in any event, at least three times a year.

e) Annual report of actions performed and action plan for following years.

The Committee will prepare annually a report on the actions performed and an action plan for the following year, for which it will be accountable to the Governing Board.

The specific nature of each Committee as regards their composition and duties is set out:

A) Nominations and Compensation Commitee

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.>>Las funciones del Comité son las siguientes:

B) Investment and Fanance Commitee

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

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

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 Responsability Committee

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	0

B.2.5. If there is a Nominations Committee, state whether all its members are external directors or members of the governing body.

Yes x	No

C) ASSOCIATED TRANSACTIONS

C.1. List any significant transactions involving a transfer of resources or obligations between the Entity and/or entities in its group and significant shareholders in the Entity:

Name or business name of most significant shareholder or stakeholder	Name or business name of the entity or entities of the group	Type of relationship	Type of transaction	Amount (thousands of euros)

C.2. List any significant transactions involving a transfer of resources or obligations between the Entity and/or entities in its group and Directors or members of the governing body or executives at the Entity:

Name or business name of most significant shareholder or stakeholder	Name or business name of the entity or entities of the group	Type of relationship	Type of transaction	Amount (thousands of euros)

C.3. List any significant transactions with other entities in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, relate to the entities normal business:

Business name of the group entity	Brief description of the transaction	Amount (thousands of euros)

C.4. State the situation of conflicts of interest, if any, involving directors or members of the governing body at the entity, pursuant to Article 127 ter of the Companies Act.

C.5. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, members of the governing body, or executives.

- Article 22.2 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 31 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 29, number 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 31, cited in Article 31.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. For 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%.>

- Similarly, and also with respect to the Governing Board, Article 7 of the Internal Regulations on its Functioning lays down that the Directors should report to the Governing Board any situation of conflict, direct or indirect, that they or persons related to them — understood as such those defined in credit cooperative company legislation — may have with the Entity's interests. The Director involved shall abstain from engaging in the resolutions or decisions concerning the operation to which the conflict refers.

  Similarly, the Directors should report with respect to themselves and persons related to them (a) any direct or indirect interest that they may hold, and (b) the positions or functions carried out in any company which is in a situation where it effectively competes with the Entity.

  The situations of conflicts of interest provided above shall be subject to disclosure in the notes to the accounts and in the corporate reports in the manner envisaged in the Law and Bylaws.

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

Cajas Rurales Unidas 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

The Entity 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 the Entity'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 Entity also creates the rules that must be followed by all lower bodies when defining the credit policy. They cover each of the stages in the risk management cycle and their content, in summarised form, is as follows:

a) **Risk assumption policy**:

- **Diversification**, which indicates that the credit portfolio must be adequately diversified and present the lowest possible degree of correlation with respect to mass non-compliance.

- **Credit quality**, in accordance with which the granting of transactions must involve customers with the capacity to make repayments in due time and form and ensure the coverage of risk through guarantees when the initial projections are not met.

- **Operating security**, under which the transactions must be adequately documented, ensuring that contracts have full legal efficiency and accurately record the conditions under which loans are granted.

- **Profitability**, according to which transactions must be profitable in accordance with their inherent risk.

b) The **vigilance and default prevention policy**

- **Relative importance**, which indicates that the action intended to prevent default must be gradually applied to seek a balance between the cost of the control and the benefits obtained.

- **Anticipation**, under which the action intended to prevent defaults must be started sufficiently in advance.

c) **Collections for operations in a non-compliance situation**

- **Decisive management**, in accordance with which once a non-compliant situation has arisen it must be managed decisively such that in as little time as possible (i) the situation is regularised, (ii) restructuring is proposed within the established policies and procedures, or (iii) court or out-of-court action is taken, as is appropriate.

- **Financial efficiency**, in accordance with which the most efficient recovery of the debt must be analyzed, and this will not always be through court claims.

d) With respect to the **property guarantees valuation and its updating** policies

- **Objectivity criteria** according to which the property guarantee valuation should be calculated as objective as possible.

- **Efficient updating of valuation criteria,** from which the value of the property in guarantee should be updated periodically, being the updating procedures efficient both in its periodicity and in the tools used.

1.3. Main parameters that define the credit policy

a) Limits to credit risk concentration

Diversification is one of the criteria that guide the credit risk assumption policy and the Entity 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

The Entity 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 the Entity 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 Cajas Rurales Unidas 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:

- The Group's Entities have 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.

- The Group's Entities or any person designated by themy, 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 the Group 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, the Entity'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.

The Entity 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

The Entity 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:

- The Entity 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.

- The Entity must finance its loan investments mainly using retail resources and therefore the use of wholesale financing will remain within prudent limits.

- The Entity 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.

- The Entity must maintain an adequate asset reserve that is easily convertible into liquid assets.

- The Entity 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 Entity must have a defined group of relevant stress scenarios and periodically evaluate the level of risk asociated to each of them .

The basic principles regarding interest rate risk set out in that Manual are as follows:

- The Entity 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

The Entity 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**: The Entity'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

The Entity 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

The Entity 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.

- Only the Entity as the parent of the Cajas Rurales Unidas Group may have exposure to the market risk.

- 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.La contratación de instrumentos derivados, y de operaciones a plazo con divisas, sólo podrá realizarse con fines de cobertura de posiciones de riesgo previamente autorizadas.

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 the Entity’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 the Entity 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 the Entity 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 the Entity's Capital Self-evaluation Process, taking responsibility for the preparation of the report that must be published on an annual basis.

- Established the methods for measuring credit, price and operating risk, as well as supervising the effectiveness of those adopted by the relevant body to measure interest-rate and liquidity risk.

1.2. Regulatory Compliance

a) Subsidiary lines

- Money-laundering and terrorism financing prevention unit - UPBCFT -
- Customer protection
- Customer Service

b) Duties

- Proposed the policies and procedures that ensure proper compliance with the law or administrative regulations:

    - The measures to prevent action that could lead to money laundering or the financing of terrorism.

    - The codes of conduct within the securities markets, to prevent practices involving market abuses.

    - The transparency of transactions and customer protection, both with respect to banking transactions and investment services.

    - Personal data protection for customers, suppliers, members and employees.

- Evaluate the effective compliance with established policies and procedures, to the implementation of controls in business processes and the design of compliance tests whose execution may be independent or coordinated with other departments at Cajamar, which must collaborate when necessary.

- Act as a contact for the National Stock Market Commission with respect to the issues that it regulates, and in particular:

    - The reporting of relevant events involving Cajamar Group

    - The reporting of transactions suspected of involving market abuse

    - The preparation and publishing of the annual corporate governance report

- Report, and monitor the implementation of any modifications and additions to relevant legislation, particularly those that originate from the following organizations:
    - Bank of Spain
    - National Stock Market Commission
    - Directorate General for Insurance and Pension Funds
    - Spanish Data Protection Agency
- Establishing the criteria and control compliance by the Entity and the Group with Corporate Governance rules.

1.3. Internal Audit

a) Subsidiary lines

- Main Services Audit
    - Financial and process Audit
    - Computer Audit
- Comercial Network Audit
    - Distance Audit
    - In Situ Audit

b) Duties

- Plan the Internal Audit activity of the 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.
- Managing the execution of the annual audit plan, assigning scheduled work to its reporting lines and supervising its correct completion.
- Supervising the audit recommendations deriving from the work performed, discussing their implementation with the functional lines involved, both specifically and in the Control Committee, where he shall hold the position of Secretary.
- Informing the Audit Committee of:
    - The results of the work and controls performed and the decisions adopted by the Control Committee in this respect.
    - Recommendations issued to mitigate risks and level of attention and implementation.

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- 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.

- Overseeing the permanent update of internal audit manuals and procedures.

2. CONTROL SYSTEMS AND TOOLS

Of the multiple tools and systems designed and implemented by the Entity to control the risk deriving from its activity, in this report we will only mention those that we consider to be the most relevant.

2.1. Credit rating models

The Entity has an extensive model map that is divided into:

1) Reading and scoring models that are used in the loan admission process and their results modulates the authority system.

2) Models that work in the monitoring area, which may be grouped into two categories: Models that rate the (i) customer and models that rates (ii) 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 the Entity 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 section 4, Article 17 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 23 section 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 25, section 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, Entity meets all applicable legislation and there is no difference with respect to the system for adopting resolutions established in legislation. Article 26 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 26 is transcribed below:

<<Article 26 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) Adopting resolutions concerning membership of a cooperative group of those regulated in Law 27/1999, concerning their deregistration, the creation of a new cooperative group and in general with respect to whatsoever agreements should be adopted in relation to the relationship with a Cooperative Group.

b) Amending the present bylaws.

c) Approve the merger, universal assignment, spin-off or the dissolution of the Entity, except when the latter must take place due to legal reasons for which an ordinary majority of the General Assembly is sufficient.

d) Sell or assign the Entity, or any portion thereof, by any means, which gives rise to a substantial modification of the Cooperative's equity, financial, organizational or functional structure, as defined by the provisions of Article 16.2.g) of these 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 2012 the Entity held one General Assemblies, this Assembly was an Extraordinary meeting.

This Assembly took place on 18 December 2012 and, in accordance with the relevant Agenda, the following resolutions were adopted:

- Amendment of Bylaws. (Unanimity)

- Appointment of Mr Juan del Águila Molina as Emeritus Chairman of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. (Unanimity)

- Setting of limits, time and manner of payment of interest rates applicable to contributions to share capital. Delegating to the Governing Board the execution of the resolution adopted. (Unanimity).

- Completion of formalities and obtainment of authorisation to apply reserves to dividends. (Unanimity).

- Authorisation to the Entity's Governing Board, for the issue of whatsoever financial instruments as may be permitted under applicable legislation from time to time. (Unanimity).

- Authorisation of the Governing Board to grant powers in relation to Education and Promotion until the General Assembly is held in 2013. (Unanimity).

- Appointment of auditors for 2012, 2013 and 2014. (Unanimity).

- Make-up, mandate and replacement of members of the Governing Body. (Unanimity)

- Formation of the so-called Cajas Rurales Unidas Group (Cooperative Group): Participation as the Parent Company. Ratification of agreements previously adopted in relation to the same and authorisation of the Governing Board in relation to that Cooperative Group. (Unanimity)

- Voting to elect the Entity's Resource Committee after following the procedure envisaged in the bylaws. (Unanimity)

- Authorising the Chairman and the Secretary to the Governing Board and their replacement according to the bylaws to register and execute the resolutions adopted by the Assembly and if appropriate, clarify, complete, rectify or amend them –following the agreement on a collegiate basis of the governing body – in the terms considered appropriate and / or necessary for their completion and effectiveness. (Unanimity)

- Ratification of membership of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito of the National Union of Credit Cooperatives (UNACC). (Unanimity).

- Designation of three shareholders – together with their replacements – for the subsequent approval of the Minutes, along with the Chairman, within 15 days of the Assembly.(Unanimity).

E.5. Indicate the address and access to the corporate governance contents on the company's website.

The Entity's website (www.cajamar.es) has two sections, which are visible and emphasised on the home page, that relate to the content of corporate governance: <<Information for members>> and <<Information for investors>>.

The section <<Information for members>>, which is visible on the home page, offers users a one step pathway to view the link to the Corporate Governance Report for the relevant year.

Similarly, the section "Information for Investors", offers users a one step pathway to directly access the link to a specific section of the corporate governance area that includes the Corporate Governance Report for the relevant year.

E.6. Indicate whether or not meetings have been held by syndicates, if any, of the holders of any securities issued by the Entity, the purpose of the meetings held during the year to which this report refers and the main resolutions adopted.

There have not been, during the year any meetings with the assemblies of the corresponding syndicates of holders of the pertinent securities of the Entity regarding this report.

F) COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the level of compliance by the entity with current corporate governance recommendations or, if appropriate, those that have not been followed.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the entity.

As long as the document referred to by ORDER ECO/3722/2003, 26 December, has not been prepared, the reference for completing this section should be the recommendations of the Olivencia Report and the Aldama Report, to the extent that they are applicable to your entity.

In accordance with its legal nature, Cajas Rurales Unidas, 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 the Entity in accordance with its cooperative structure.

Bylaws and General Assembly

1. The bylaws of listed companies should not restrict the maximum number of votes that can be cast by a single shareholder, nor contain other restrictions that make it difficult to take control of the Company through the acquisition.

This recommendation is not applicable to the Entity given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

2. When the parent company and a subsidiary are both listed they should both be publicly defined with precision:

a) The respective areas of activity and any business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies:

b) The mechanisms established to resolve any conflicts of interest that may arise.

This recommendation is not applicable to the Entity given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Authority of the General Meeting

3. Even though not expressly required by commercial law, operations that involve a structural modification to the Company and, in particular the following, are submitted to the General Meeting for approval:

a) The transformation of listed companies into holding companies, by "creating subsidiaries" or transferring essential activities previously carried out by the company to subsidiaries, even if the former maintains complete control;

b) The acquisition or disposal of essential operating assets, when they involve an effective modification to the corporate purpose;

c) Operations that have an effect equivalent to the liquidation of the Company.

Article 16.2 of the Bylaws governing the Entity 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 inaccordance with the Law by a court or administrative authority.

g) Sale or assignment of the Entity, or any part thereof, by any means, or any other decision that gives rise to a substantial modification of the cooperative's financial (whether equity or financial), business, organizational or operational structure. Substantial modifications are considered to be those they give rise to the sale or assignment of offices or volumes of business that exceed 10% of the total deposits held by the Bank.

h) Agreed to create a Cooperative on a second or lower tier, or a consortium, or joining any such entities or any for which the agreement of the General Assembly is expressly required by law.>>

Prior information regarding proposed resolutions

4. Detailed proposals for resolutions to be adopted by the General Meaning, including the information referred to by Recommendation 28, should be made public at the time the notice for the Meeting is published.

Proposals for resolutions to be adopted by the General Assembly will be reported the same day on which the Assembly is called, in sufficient detail and sufficiently in advance (at least 15 days before the first Preparatory Meeting) in accordance with the provisions of Article 18 of the Entity's Bylaws.

Separation of issues for voting purposes

5. During the General Meeting, separate votes should be cast for issues that are substantially independent so that shareholders may separately exercise their voting preferences. This rule should be applied, in particular, to:

a) The appointment or ratification of Directors, who should be subject to separate votes;

b) In the case of amendments to the Bylaws, each article or group of articles that is substantially independent.

Each of the proposals submitted to the General Assembly will be treated, for voting purposes, independently, particularly the proposals made by the Governing Body.

Division of votes

6.The fractioning of votes so that financial intermediaries legitimately participating as shareholders but acting on behalf of different customers may vote in accordance with the instructions of the latter.

This recommendation is not applicable to the Entity given its nature as a cooperative, its principles and the fact that it is not listed on capital markets.

Governing Body

Business interest.

7.The Board of Directors should carry out its duties with a common purpose and under independent criteria, treat all shareholders equally and be guided by the Company's interests, understood to be the sustained maximization of the company's financial value.

The board must also ensure that in its relationships with stakeholders the Company respects laws and regulations; complies with its obligations and contracts on a good-faith basis; respects common uses and good practices in the sectors and territorial areas in which it carries out its activities; and observes those additional principles of corporate responsibility that it has voluntarily accepted.

In accordance with Article 6 of the Internal Regulations on the Functioning of the Entity's Governing Board, the Board shall at all times act for the benefit of the entity's interests, taking special care to protect and preserve the rights of the Savings Bank's shareholders.

It shall establish whatsoever mechanisms as may be requisite in order to keep informed of the Entity's course of business and affairs, attempting to ensure the follow-up of the functions delegated or through any arrangement which may be attributed to other bodies.

The actual functions of the Governing Board shall be performed for the Entity's benefit and shall be governed by independence in the adoption of resolutions, acting in the interest of shareholders and the company and in accordance with the actual principles of credit cooperatives.

Authority of the Governing Body

8. The Board of Directors should assume its core mission of improving the Company's strategy and the organization necessary to put it into practice, as well as to supervise and ensure that Management complies with the established objectives and respects the Company's purpose and business interests. Therefore, for this purpose, the full Board reserves the authority to approve:

a) The Company's general policies and strategies and, in particular:

i) The strategic or business plan, as well as management and annual budget targets;

ii) The policy of investments and financing;

iii) The definition of the structure for the group of companies;

iv)The corporate governance policies;

v) The corporate responsibility policy;

vi)The policy for evaluating senior management performance and compensation;

vii) The risk management and control policy, as well as regular monitoring of internal information and control systems;

viii) The policy for dividends, as well as treasury stock and, in particular, their limits.

b) The following decisions:

i) At the proposal of the Chief Executive Officer, the appointment and dismissal of senior executives, as well as their indemnities;

ii) Compensation for Directors, as well as additional compensation for executive duties, in the case of Executive Directors, and any other conditions that their contracts must respect;

iii) The financial information that the Company must make public on a regular basis due to the fact that it is listed on a stock exchange;

iv) All investments or transactions that, due to the large amount concerned or their special characteristics, are strategic in nature except for those that must be approved by the General Meeting;

v) The creation or acquisition of shares in special-purpose vehicles or domiciled in countries or territories that are considered to be tax havens, as well as any other similar transactions or operations that, due to their complexity, could harm the transparency of the Group.

c) The transactions that the Company carries out with Directors, significant shareholders or parties represented on the Board, or with persons to which they are associated ("associated transactions").

However, this authorization from the Board will not be understood to be necessary in those associated transactions that also comply with the three following conditions:

1ª. They are carried out by in accordance with standardized contracts that are applied to many customers;

2ª. They are carried out at prices or rates that are established in general by the party acting as the supplier of the asset or service concerned;

3ª. The amount does not exceed 1% of the Company's annual revenues.

The Board should approve associated transactions after having received a favorable report from the Audit Committee or, if appropriate, from any other Committee charged with this duty; and affected Directors, in addition to not exercising or delegating their right to vote, should leave the meeting room while the Board deliberates and votes on this issue.

The authority attributed here to the Board should not be eligible for delegation, except those mentioned under letters b) and c), which may be adopted due to reasons of urgency by the Committee and subsequently ratified by the full Board.

This body, in accordance with the unified code, has broad authority to carry out the Entity's core mission.

Accordingly, the Governing Body, as is stipulated in Article 27 of the Entity'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.

a) The company's general policies and strategies and in particular: 1) the strategic or business plan and the management and annual budget objectives; 2) The investment and financial policy;3) The definition of the structure of the corporate group; 4)The corporate governance policy;5) The corporate social responsibility policy;6) The risk control and management policy and the regular follow-up of international reporting and control systems;

b) The following decisions:

I) Financial information which, owing to its status as the issuer of financial instruments listed on secondary markets, the Savings Bank should report publicly on a regular basis;

II) All kinds of investments or operations which, because of the significant amount involved or their specific characteristics are strategic in nature;

If appropriate, following a duly justified agreement, the Governing Body may, once the basic guidelines have been established, delegate to another body with respect to the above matters.

When formalising acts, contracts and businesses of any kind with members of the Governing Board, legislation on Credit Cooperative Companies shall be strictly complied with and in particular, Article 24 of Royal Decree 84/1993, approving the Regulations that enable Law 13/1989 on Credit Cooperatives.

In no event may those matters reserved under legislation or the bylaws be delegated and they should be exercised directly.

With respect to the delegation of the competences and matters marked as not subject to delegation within the framework of the present Regulations, when formation agreements of the Executive Committee and / or the delegation of powers in favour of one or several directors are formalised, the foregoing shall be taken into account and the delegation of all powers except those that may not be delegated by Law, under the Bylaws and Internal Functioning Regulations will be valid.

Size

9. The Board should have the size necessary to achieve effective and collaborative operations, which makes it advisable for it to have not less than five and not more than fifteen members.

In accordance with the provisions of Article 28.1 of the Entity's Bylaws, a fixed number of minimum 15 and maximum 23 members of the Governing Body has been established, all of which will be elected from among individual members or representatives of members that are companies, except for one member will be an employee of Entity with an indefinite employment contract.

The member that is left of the Governing Body will be an employee of the Entity, with unlimited time contract, who will be elected as member for a special Assembly of fixed workers.

Functional structure

10. External Domanial and Independent Directors should constitute a wide majority on the Board and the number of Executive Directors be as few as possible, bearing in mind the complexity of the corporate Group and the percentage of participation of the Executive Directors in the Company's capital stock.

Of the 14 members that make up the Governing Body at Cajamar nine are considered to be other external directors and five are executive directors.

Other directors

11. If there is any External Director that cannot be considered to be Domanial or Independent, the Companies should explain this circumstance and the Director's associations, whether they are with the Company, its Executives or shareholders.

Twelve of the members of the Governing Board are considered "other external directors" defined as those who are not considered to be nominee or independent directors.

The Entity explains the ties of those external directors to the company or its managers and with other shareholders in the legally envisaged circumstances.

Proportion between independent and dominical directors

12. Among External Directors, the ratio between the number of Domanial Directors and Independent Directors should reflect the proportion between the Company's capital stock represented by the Domanial Directors and the rest of the capital stock.

This strict proportionality criterion may be moderated, such that the weight of the Domanial Directors exceeds that which would be the case based on the total percentage of capital stock that they represent:

1º At highly capitalized companies in which there are few or no shareholdings that are legally considered to be significant, but in which there are shareholding packages with high absolute values;

2º When concerning companies at which there are multiple shareholders represented on the Board that are not associated among themselves.

The Entity currently has no nominee or independent directors.

Sufficient number of independent Directors

13. The number of independent Directors represents at least one third of all Directors.

The other external directors category represents more than three quarters of the total number of directors of the Entity.

Explanation of the nature of the directors

14. The classification of each Director should be explained by the Board to the General Meeting that must make or ratify their Nomination and this classification should be confirmed or, if appropriate, revised on an annual basis in the Corporate Governance Report, after having received verification from the Appointments Committee. This report should also explain the reasons for which Domanial Directors have been nominated at the request of shareholders whose stake is less than 5% of capital stock; and the reasons for which, if any, formal requests

were denied for a seat on the Board from shareholders whose interest is equal or higher than that of others whose request resulted in the designation of Domanial Directors.

Article 5 of the Internal Regulations on the Functioning of the Entity's Governing Board lays down that the actual agreements concerning candidate proposals should reflect the status of each of the Board members proposed together with the justification of the category assigned to each future Director.

Similarly, the Annual Corporate Governance Report revises annually that character although without the prior verification of the Appointments and Remuneration Committee.

Gender Diversity

15. When there are few or no women Directors, the Board should explain the reasons and the initiatives taken to correct this situation; and, in particular, the Appointments Committee should ensure that this is taken into account when filling new vacancies:

a) By ensuring that selection procedures do not have any implicit bias that could raise obstacles to the selection of women Directors;

b) By ensuring that the Company deliberately seeks, and includes among potential candidates, women that have the target professional profile.

The process of appointing candidates to the Governing Body is democratic based on the configuration of one member one vote and therefore there is no obstacle whatsoever to select female directors.

Chairman

16. The Chairman, as the party responsible for the effective operations of the Board, should ensure that the Directors receive sufficient information before hand; stimulate debate and the active participation of Directors during Board meetings, safeguarding the right to freely take a position and express opinions; and organize and coordinate regular evaluations of the Board with the Chairman of relevant Committees, as well as an evaluation of the CEO or lead executive.

In addition to their status as members, Article 30 of the Bylaws formally recognised the right of directors to receive the information necessary to carry out their duties and comply with their obligations, as well as the right to express an opinion and debate.

The Chairman of the Governing Board, has the conformity with what stands on article 8 of the Internal Regulation of Functioning of the Governing Board of the Entity, the responsibility of guaranteeing the good behavior of the Entity and the right functioning of the Governing Board, assuring that the Member of the Board meet all their obligations in the best manner, making sure they have all the means and information to do so.

The Chairman will promote the development of the Governing Board minutes, providing the members with all the information necessary and promoting the intervention and debate of the members and guaranteeing their rights.

17. When the Chairman of the Board is also the Bank's CEO, the Board of Directors will authorize one of the independent Directors to call a meeting of the Board and include new points in the agenda in order to coordinate and express the concerns of external Directors and to direct evaluations by the Board of its Chairman.

The Entity does not have any senior or lead independent director (Recommendation 17) However, by virtue of the provisions of Article 32.1, the Governing Body must be called to a meeting by the Chairman if requested by two directors or by General Management.

Secretary

18. The Secretary to the Board of Directors should particularly ensure that the Board's actions:

a) Meet the letter and the spirit of Laws and regulations, including those approved by regulatory bodies;

b) Are in line with the Company's bylaws and with the Regulations governing the General Meeting, the Board and any others in force at the Company;

c) Take into account the recommendations regarding good governance established in this Unified Code that the Company has accepted. In order to safeguard the independence, impartiality and professionalism of the Secretary, the appointment and removal from this position must be reported by the Appointments Committee and approved by the full Board, and the procedure for appointing and removing the Secretary should be established in the Board's Regulations.

In accordance with Article 9 of the Internal Regulations on the Functioning of the Governing Board, the secretary shall assist the Chairman in its work and oversee to ensure the good functioning of the Governing Board, taking care, in particular, to provide the directors with the advice and information necessary to store the Committee's documentation, duly reflect in the minutes book the development of the meetings and place the resolutions adopted during the same on record.

The secretary shall in any event safeguard the formal and material lawfulness of the Committee's actions and that its governance procedures and rules are observed.

The secretary shall look after the minutes books.

Meetings

19.The board should meet with the frequency necessary to efficiently perform its duties, following the schedule and agenda established at the start of the year and each Director may propose other points to be added to the Agenda.

In accordance with Article 7 of the Internal Regulations on the Functioning of the Governing Board, if, as part of the debate on any aspect or issue, a Director expresses his concern over some proposal or the performance of the company and his enquiries are not settled during the Board meeting, he shall at all times be entitled to place this on record in the Minutes of the meeting.

The Governing body may also hold extraordinary meetings provided that there are issues that must be resolved before the next ordinary meeting.

A meeting of the Governing Body must be called by the Chairman, or the alternate, at his/her own initiative or at the request of at least two directors or by General Management. If the request is not fulfilled within 10 days, it may be called by those persons that made the request provided that at least one third of the Governing Body joins the request.

20. Director absences should be reduced to unavoidable cases and should be indicated in the Annual Corporate Governance Report. If the delegation of representative authority is unavoidable, instructions should be given.

In accordance with the provisions of Article 30.1.f) of the Entity'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 there have been no absences during 2012.

21. When the Directors or the Secretary express any concern regarding any proposal or, in the case of Directors, regarding the Company's progress and these concerns are not resolved during the Board Meeting, the party expressing the concerns may request that they be recorded in the minutes to the Meeting.

In accordance with Article 7 of the Internal Regulations on the Functioning of the Governing Board, if, as part of the debate on any aspect or issue, a Director expresses his concern over some proposal or the performance of the company and his enquiries are not settled during the Board meeting, he shall at all times be entitled to place this on record in the Minutes of the meeting. Similarly, the directors may prepare a private vote with respect to those matters which may be subject to the Board's approval and such private votes shall also figure in the Minutes Certificate in the manner expressly stated by the Board.

Regular evaluation

Information provided to directors

22. Once per year the Board should evaluate:

a) The quality and efficiency of the Board's operations;

b) Based on the report presented by the Appointments Committee, the performance of the Chairman and the Company's CEO;

c) The operation of its Committees, based on the reports that they issue.

Regular evaluations take place but there is no formal procedure for doing so.

23. All Directors should be able to exercise the right to obtain all additional information that they deem necessary regarding the matters over which the Board has authority. Unless the bylaws or the Board Regulations establish otherwise, these requests should be directed to the Chairman or the Secretary to the Board.

As was indicated in Recommendation 16, in addition to their status as members, Article 30.2 of the Bylaws formally recognised the right of directors to receive the information necessary to carry out their duties and comply with their obligations, as well as the right to express an opinion and debate.

In addition to the right to receive the information that is necessary to exercise their rights and comply with their obligations as is recognised by Article 30.2 of the Bylaws, Directors may always request additional information regarding issues that fall within the area of authority of the governing body.

Similarly, in accordance with Article 7 of the Internal Regulations on the Functioning of the Entity's Governing Board all Directors shall be entitled to ask for and obtain whatsoever management information they may require to take decisions both prior to and after the meeting through a petition to the Chairman of the Governing Board, who shall address it within a reasonable timeperiod.

24. All Directors should have the right to obtain all necessary advisory services from the Company in order to comply with their duties. The Company should create adequate channels for exercising this right, which under special circumstances may include external advisory services paid for by the Company.

In accordance with Article 7 on the Internal Regulation on the Functioning of the Entity's Governing Board, in the exercise of its right to information, the Directors have the advice of qualified Savings Bank personnel, and shall have wide ranging powers to obtain information on any aspect of the Entity. Additionally and exceptionally, when the issue or matter so require, the Directors may ask to engage legal, accounting, financial advisors or other experts by charge to the company, at all times on specific problems of a certain scale and complexity which are presented in the performance of the position.

25. Companies should establish an orientation program providing new Directors with quick and sufficient knowledge of the Company, as well as it's Corporate Governance rules. It should also offer Directors programs for updating knowledge when the circumstances make this advisable.

Article 7 of the Internal Regulations on the Functioning of the Entity's Governing Board recognises the right of each Board member to be comprehensively informed of his functions, responsibilities and powers in writing and at the time he takes up his position and the obligation to know and understand such responsibilities and powers. In this respect, and prior to the first meeting of the Governing Board, the Savings Bank shall adopt the appropriate measures for the Members to know the content of the Regulations, legislation and the bylaws applicable to the exercise of their position and in general, whatsoever relates to improving performance as members of the Entity's Governing Board.

Although there is no formal guidance programme in place in the Entity, new members of the Governing Board receive the necessary detailed explanations to gain an understanding of the Entity and its corporate governance rules.

Similarly, there are no formal upgrade programmes as such but the directors receive ample information concerning the novelties considered to be relevant.

Dedication of directors

26. Company should require that Directors dedicate the time and effort that is necessary to perform their duties efficiently and, as a result:

a) Directors should inform the Appointments Committee of all other professional obligations to determine whether or not they could interfere with the dedication required;

b) Company should establish rules regarding the number of Boards to which its Directors may pertain.

In accordance with the provisions of Article 30 of its Bylaws, the directors of the Entity 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.

Additionally, Article 7 of the Internal Regulations on the Functioning of the Entity's Governing Board lays down that in order to improve the performance of their position, the Directors should be involved in corporate management and the development of the business of the Savings Bank and devote the necessary time and effort to its efficient performance.

Directors

Selection, appointment and re-election

27. Proposals to appoint or reelect Directors made at the General Meeting, as well as provisional appointments through designation, should be approved by the Board:

a) At the proposal of the Appointments Committee, in the case of Independent Directors;

b) After receiving a report from the Appointments Committee, in the case of all other Directors.

Given the procedure for electing directors envisaged in Article 28 of the Bylaws, this recommendation is not considered to be applicable to the Entity.

Public information regarding directors

28. Companies should make the following information regarding Directors public on its website and maintain it up-to-date:

a) Professional profile and biography;

b) Other Boards of Directors to which the individual pertains, whether or not involving listed companies;

c) An indication of the classification of the Director as appropriate, stating, in the case of Domanial Directors, the shareholder represented or with which the individual is associated;

d) Date of first appointment as a Director of the Company, as well as all subsequent appointments and;

e) Shares and share options in the Company which are held by the Director.

The Entity's 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 the Entity.

Rotation of independent directors

29. Independent Directors should not remain as such for a continuous period exceeding 12 years.

The Entity's bylaws do not contain any limitation to the number of terms over which a director may serve.

30. Domanial Directors should present their resignations when the shareholder they represent fully sells its stake in the Bank. This should also take place, by the relevant number, when that shareholder reduces its stake to a level that requires a reduction in the number of its Domanial Directors.

Is not applicable to the Entity given that it is a cooperative and the profile of the directors to which it is oriented.

31. The Board of Directors should not propose the removal of any Independent Director before the end of the term to which the individual was appointed, unless there is just cause appreciated by the Board after having received a report from the Appointments Committee. In particular, just cause will be understood to exist when the Director has failed to comply with the duties inherent to his/her position or is subject to any of the circumstances described in Section III.5 on definitions in this Code.

A proposal to remove Independent Directors may also be made as a result of Public Stock Offers, mergers or other similar corporate transactions that give rise to a change in the Company's capital stock structure, when such changes in the Board's structure are the result of the proportional criteria indicated in Recommendation 12.

Article 29 of the Bylaws lays down that the members of the Governing Board shall resign for the reasons envisaged in applicable law or regulations. When their appointment is attributable to the General Assembly, they may be removed from their position with the majorities established in current legislation. Moreover, the appointment of the member of the Board elected by employees may be revoked for justified reasons through the agreement adopted by the corresponding employee representative body. Therefore the Entity's Governing Board may not remove a director.

Without prejudice to the foregoing and in accordance with Article 29.4 of the bylaws, owing to a serious cause, duly verified and in defence of the Entity to avoid damages to the same or in order to limit those already started, the Governing Body is expressly empowered to agree the precautionary suspension of functions with respect to those Directors or Officers who have found themselves to be on the edge of the loyalty, dedication and discretion required of such positions.

32. Companies should establish rules to require Directors to report and, if appropriate, resign in those cases in which they may harm the credit and reputation of the Company and, in particular, they should be required to inform the Board of any criminal proceedings in which they are involved, as well as all subsequent procedural issues.

If a Director is prosecuted or if the opening of oral proceedings takes place with respect to any of the crimes indicated under Article 124 of the Spanish Companies Act, the Board will examine the case as soon as possible and in the light of the specific circumstances at hand, must reach a decision as to whether or not the Director will remain on the Board. Any such action should be explained by the Board in the Annual Corporate Governance Report.

In line with the Unified Code of Conduct, Articles 29.2 and 29.4 of the Entity'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 29.3 of the Entity'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 30.1 of the Entity'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.

Additionally, Article 7 of the Internal Regulations on the Functioning of the Governing Board establishes that the Director should inform the Board of any event or circumstance arising after his designation which could entail a basic change in the reasons which led to his appointment or when, given the nature of the circumstances, could have a serious adverse effect for the Entity or damage its good name and public prestige.

In particular, they should report and if appropriate, resign in those situations which could have an adverse effect on the Entity's prestige and reputation in particular, situations deriving from the penal causes where they may appear as the accused and subsequent proceedings. In this respect, if a director is prosecuted or oral proceedings are instigated against him for any of the offences indicated in Article 213 of the Spanish Companies Act 213, the Board shall examine the case as soon as possible and in view of its specific circumstances, shall decide whether or not it is appropriate for the Director to retain his position, taking, where appropriate, adequate measures. The Director shall report all the foregoing in a reasoned manner in the present Report.

33. Directors should clearly express their opposition when they consider that any proposal for a decision submitted to the Board may go against its business interests. Directors, particularly Independents and other Directors not affected by the potential conflict of interest, should also do this when decisions arise that may harm the shareholders not represented on the Board. When the Board adopts significant or repeated resolutions on which the Director has stated serious reservations, the Director concerned should reach the appropriate conclusions and, if he/she chooses to resign, the reasons for doing so should be explained in a letter referring to the following recommendation.

This recommendation also covers the Secretary to the Board of Directors, even if the Secretary is not a Director.

In the Unified Code, Article 30.1 of the Entity'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.

Article 7 of the Internal Regulations on the Functioning of the Entity's Governing Board lays down that the Directors should clearly express their objection when they consider that any decision proposal submitted to the Board may be contrary to the Entity's interests. When the Board adopts significant or reiterative decisions on which the Director has expressed a series of reservations, the latter should act accordingly and if he decides to resign, should explain the reasons at the time of formalisation, through the relevant resignation letter.

34. When a Director leaves the Board before the end of his/her term, whether due to resignation or any other reason, the reasons should be explained in a letter sent to all of the members of the Board of Directors.

There are no issues relating to the provisions of recommendation 34.

Remuneration

Regime of approval and transparency

35. The Compensation policy approved by the Board should mention at least the following:

a) A breakdown of any fixed components of the per diems paid for participation on the Board and its Commissions and an estimate of the fixed annual compensation they represent.

b) Variable compensation, including in particular:

i) The classification of Directors to which it is applied, as well as an explanation of the relative importance of variable compensation compared with fixed compensation;

ii) Criteria for evaluating results on which any rights to shares, share options, or any other variable component, are based;

iii) Essential parameters and basis for any annual bonus or any other benefits not paid in cash; and

iv) An overall estimate of the absolute amount of variable compensation that could derive from the proposed compensation plan, based on the extent of compliance with assumptions or objectives used as a reference.

c) Main characteristics of retirement systems (for example, supplementary pensions, life insurance and similar items), with an estimate of the annual equivalent amount or cost.

d) Conditions that must be respected by contracts concluded with those exercising Executive Director duties, among which the following are included:

i) Term;

ii) Notice periods; and

iii) Any other clauses relating to contract bonuses, indemnities or "golden parachutes" deriving from early termination of the contractual relationship between the Company and the Executive Director.

Guiding criteria

36. Executive Directors should be restricted to compensation consisting of shares in the Company or Group Companies, share options or instruments indexed to the share value, a variable compensation linked to the performance of the Company or retirement systems.

This recommendation will not cover the delivery of shares, when subject to the condition that the Directors hold them until they ceased to be Directors.

37. Remuneration paid to External Directors should be that which is necessary to compensate their dedication, qualifications and responsibilities in the position, but not so high as to compromise their independence.

38.The compensation relating to the results obtained by the Companies should take into account any qualifications that are included in the external auditor's report and reduce those results.

39. In the case of variable compensation, the compensation policies include the technical precautions necessary to ensure that such compensation is in line with the professional performance of its beneficiaries and does not derive merely from the general evolution of markets or the sector in which the Company operates or other similar circumstances.

With respect recommendations 35, 36, 37, 38 and 39 the remuneration policy of the Entity approved by de Governing Body details the fixed remuneration and variable that the board members may be paid, this affects executive and non-executive members.

In the case of non-executive directors, the Remuneration Policy lays down that the remuneration of such directors consists solely of per diems for attending Board meetings, since the position of Director is generally considered to be mandatory and gratuitous, without prejudice to the relevant reimbursement of expenses incurred in the activities performed, including allowances for the time effectively devoted to the Board. Owing to the increased dedication, significance and responsibility involved in the exercising of their positions, the Chairman, Deputy Chairman, Secretary, Managing Directors and Members of the Board may be remunerated in the manner and for the amount agreed by the Appointments and Remuneration Committee of the Governing Board up to the maximum limits laid down in the Bylaws.

For executive directors, their remuneration is aligned with the Entity's general remuneration policy and in accordance with that Policy, consists solely of fixed remuneration which takes into account the level of responsibility of these functions and is structured in two complements distributed as follows: (i) base salary that shall relate to 75% of their annual remuneration and (ii) management complement that shall relate to 25% of their annual remuneration. The fact that they have no variable remuneration is considered to be the best way to favour a solid and effective management of the risks, taking the following premises as a starting point:

- The Entity's actual cooperative nature and aims promote such management insofar as there are no stakeholders with major profit expectations but rather a group of cooperative shareholders who guarantee financial stability, solvency and strength to continue to provide services.

- Cooperative status also means that these positions of utmost confidence are generally held by long-serving employees, with a recognised level of commitment and motivation. Therefore a remuneration incentive system, aligned with the organisation's medium and long-term strategy is not considered to be necessary.

Consultation vote regarding the compensation policy by the General Meeting

40. The Board should submit a report regarding the compensation policy for Directors to a consultation vote by the General Meeting, as a separate point on the Agenda. This report should be made available to shareholders, either separately or in any other manner that the Company considers advisable.

This report will particularly focus on the compensation policy approved by the Board for the year in progress and, if appropriate, the plan projected for future years. It will cover all matters referred to by Recommendation 34, except for any that could involve the revelation of sensitive business information. It will emphasize the most significant changes in these policies compared with the policy applied last year, to which the General Meeting refers. It will also include an overall summary of how the compensation policy was applied last year.

The Board will also provide information on the role played by the Compensation Committee when preparing the compensation policy and, if any external advisory services were used, the identity of the external consultants will be revealed.

The Report to which the recommendation refers is not currently subject to the approval of the General Assembly.

41. The Notes to the financial statements should provide details of individual compensation paid to Directors during the year and should include:

a) An individual breakdown of the compensation paid to each Director which will include, if appropriate:

i) Per diems for attendance and other fixed compensation paid to the Director;

ii) Additional compensation paid for holding the position of Chairman or member of any Board Committee;

iii) Any compensation paid as profit-sharing or bonuses, and the reason for paying such amounts;

iv) Contributions made on behalf of the Director to defined contribution pension plan; or the increase of consolidated rights held by the Director, when involving contributions to defined benefit plans;

v) Any indemnities agreed or paid in the event of termination;

vi) Compensation received for holding the position of Director at other Group companies;

vii) Compensation paid for carrying out the senior management duties falling to Executive Directors;

viii) Any other compensation other than the items listed above, regardless of its nature or the group company making payment, particularly when it is considered to be an associated transaction or when omitting this item could distort the true and fair view of the total compensation received by the Director.

b) An individual breakdown of any shares, options or any other instrument indexed to the value of the share granted to Directors, indicating:

i) The number of shares or options granted during the year and the conditions for exercising these rights;

ii) The number of options exercised during the year, indicating the number of shares involved and the exercise price;

iii) The number of options pending at the end of the year, indicating their price, dates and other relevant information;

iv) Any modification made during the year to the conditions for exercising options already granted.

c) Information regarding the relationship, last year, between the compensation obtained by Executive Directors and the results or other performance measurements recorded by the Company.

In line with this recommendation, the notes to the annual accounts for the Entity include a section regarding the individual compensation paid to directors during the year and this figure includes both fixed compensation and per diems.

Committees

42. When there is an Executive Committee, the structure for the different categories of Directors should be similar to that of the Board and its Secretary should be the Secretary to the Board.

The composition of the various categories of directors on the Executive Committee is four executive directors and another three that pertain to the category "Other external directors".

The secretary to this Committee is also the secretary to the Governing Body.

43. The Board should always be aware of the issues being discussed and the Resolutions being adopted by the Executive Committee and all of the Members of the Board should receive a copy of the minutes to the meetings held by the Executive Committee.

All of the minutes of the executive committee will be published and will be accessible to directors through the executive portal. In addition, at each meeting held by the Governing Body a summary of the relevant resolutions adopted by the committee will be provided.

Supervisory and control Committees

44. The Board of Directors must form, in addition to the Audit Committee required by the Securities and Exchange Act, a Committee or two separate Committees, covering Nominations and Compensation.

The rules governing the composition and operation of the Audit Committee and the Committee or Committees for Nominations and Compensation must be covered by the Board Regulations and include the following items:

a) The Board should designate the Members of these Committees, bearing in mind the knowledge, aptitudes and experience of the Directors and the duties of each Committee; it should deliberate with respect to its proposals and reports; and Reports must be given, at the first Board Meeting held after their meetings, regarding their activity and work performed;

b) These Committees should be formed exclusively of a minimum of three Directors. The above is understood to be notwithstanding the attendance of Executive Directors or senior executives, if expressly requested by the Members of the Committee;

c) The Chairmen should be Independent Directors;

d) External advisory services should be available when considered necessary to fulfill their duties;

e) Minutes should be kept of all meetings held and a copy should be sent to all members of the Board.

In addition to the Audit Committee, the Governing Board of Cajamar also has a Nominations and Compensation Committee.

The rules regarding the composition and the operation of the Audit Committee and the Nominations and Compensation Committee are established in their respective Regulations, given the absence of Regulations for the Governing body.

As regards their composition, it should be indicated that of the Chairman and five members that form part of the Audit Committee, four are other external directors (including the Chairman) and only one is an Executive Director.

Article 4 of the Regulations of the Audit Committee and Appointments and Remuneration Committee establishes that the Committee members shall be designated from those directors who have the experience, knowledge and most suitable personal circumstances to be a member of such committees.

In accordance with Articles 11 and 12 of the Regulations of the Appointments and Remuneration Committee and Audit Committee, respectively, the members of both may ask for the help of external experts by charge to the Entity when considered necessary for the performance of their functions.

Moreover, in accordance with Article 8 of such regulations, both committees shall issue the minutes of their meetings and keep the Governing Board informed of the matters discussed during the same, of the results of their work and decisions adopted.

45. The supervision of compliance with internal codes of conduct and corporate governance rules is the responsibility of the Audit Committee, the Nominations Committee or, if existing separately, the Compliance Committee or the Corporate Governance Committee.

The Audit and Nominations Committee, together with other delegate Committees, all in their respective duties, supervise the intern conduct code compliance and the of corporative governance.

Audit Committee

46.The Members of the Audit Committee, and particularly its Chairman, should be appointed bearing in mind their knowledge and experience with respect to accounting, audit and risk management.

With relation to the disposal in the Regulations, approved by the Governing Body, it is established tat the committee is formed by six members, designated by the Governing Body amongst the members of the Governing Body.

The members of the Committee will have, in its majority the condition of non-executive members.

Also, with respect to the expected in this Regulation, the president should be elected amongst the non executive members of the Governing Body.

For the discharge of their labor by the members of the committee, the Governing Body could name non members advisers with the objective of assisting to the Committees and contribute with their knowledge.

Also, with the objective of being helped, the members of the Committee can ask for the hiring, with charge to the Entity, leagal, accounting, financial advisers or other kind of experts.

47. Listed companies should have an internal audit area which, under the supervision of the Audit Committee, ensures the proper operation of the internal control and information systems.

The Entity has a function of internal audit that reports information regularly to the Audit Committee, which gives the committee elements of judgments and contrast regarding the well functioning of systems of information and internal control.

48. The person responsible for the Internal Audit Area should present an annual plan to the Audit Committee; it should directly report any incidents that arise during the fulfillment of this plan; and at the end of the year a report on activities should be presented.

The Audit Committee of Cajamar approves the Annual Plan of Internal Audit, periodically receives information of the incidents that are determined in the tasks realized by internal auditin and at the end of the year summarizes a memory with the activity carried out by such to bring to attention of the Committee.

49. The risk management and control policy should identify at least:

a) The various types of risk (operational, technological, financial, legal, reputational and others) faced by the Company, including financial or economic risks, contingent liabilities and other off-balance sheet risks.

b) The establishment of the risk level that the Company considers acceptable;

c) The measures established to mitigate the impact of identified risks should they materialize;

d) The Internal control and information systems that are used to control and manage these risks, including contingent liabilities or off-balance sheet risks.

As can be seen, the exposed in headings D1 and D2 of this report, the policy of control and risk management is wide and collects credit risks, market risks liquidity risk, normative incompliance risk, and operational risk, establishing, measures to mitigate the impact of identified risk, in case they materialized, as well as ithe information and control systems which will be use to manage and control the risks.

50. With respect to the Audit Committee:

1º Internal Control and Information Systems:

a) Supervise the preparation and the integrity of financial information relating to the Company and, if appropriate, to the Group, reviewing compliance with legislative requirements, adequate definition of the scope of consolidation and the proper application of accounting standards.

b) Regular reviews of the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.

c) Ensure the independence and efficiency of the internal audit function; proposed new selection, nomination, reelection and removal of the person responsible for internal audit; propose the budget for this service; receive regular information regarding its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
d) Establish and supervise a mechanism that allows employees to report, on a confidential basis and, if deemed advisable, anonymously, any irregularities that are potentially important, particularly those of a financial and accounting nature, that are observed within the Company.

2º The external auditor:

a) Present before the Board proposals for selecting, nominating, reelecting and replacing the external auditor, as well as the contract conditions; execution, and verify that Senior Management bears in mind the recommendations made.

b) Regularly receive from the external auditor Information regarding the Audit Plan and the results in execution, and verify that the directive takes into account the recommendations

c) Ensure the independence of the external auditor and, in this respect:

i) The Company reports any change in Auditor to the Spanish Securities and Exchange Commission and it provide a statement regarding the existence of any disagreements with the exiting auditor;

ii) The Committee should ensure that the Bank and the auditor respect current regulations regarding the rendering of services other than audit, limits to the concentration of the Auditor's business and, in general, any other regulation established to ensure the independence of auditors;

iii) In the event that the external auditor withdraws from the mandate, it will examine the circumstances giving rise to this situation.

d) In the case of Groups, ensure that the Auditor of the Group assumes the responsibility of auditing the Group companies.

The Audit Committee's functions include all those contained in the law and in particular, those indicated in Section B.2.3 of this report, not including proposing the selection, appointment, re-election and removal of the head of internal audit. The Entity is in the process of implementing a claims channel.

51. The Audit Committee should be able to call any employee or executive at the Company, even without the presence of any other executive.

Article numer 8 of this Committee established that, <<It will be mandatory to assist to the meetings of the Committee and give them collaboration and access to the information required, any member of the directive or staff from Caja Rural whose presence should be required by the President>>

52. The Audit Committee should inform the Board prior to adopting any of the relevant decisions, of the following matters indicated in Recommendation 8:

a) The financial information that the Company must make public on a regular basis due to the fact that it is listed on a stock exchange; The Committee should ensure that the interim accounts are prepared using the same accounting criteria as a reused for the Annual accounts and, in this respect ,consider the appropriateness of a limited review performed by the external auditor;

b) The creation or acquisition of shares in special-purpose vehicles or domiciled in countries or territories that are considered to be tax havens, as well as any other similar transactions or operations that, due to their complexity, could harm the transparency of the Group.

c) Associated operations, unless this reporting duty has been delegated to a Committee other than the supervisory and control committees.

Section a) is not applicable to the entity as it is not a listed company. For b) the Audit Committee's functions do not include previously informing the Board of this type of decisions. Nor does the Audit Committee have the function of reporting related-party operations although all applicable obligations are fulfilled with respect to the same.

53. The Board of Directors should endeavor to present the financial statements to the General Meeting without reservations or qualifications in the Audit Report, and should any exceptional situations exist, both the Chairman of the Audit Committee and the Auditors will clearly explain the contents and the scope of any such reservations or qualifications to shareholders.

The Governing Body should try that the annual accounts should be presented to the General Assembly with any reservations or exceptions in the auditor´s report. However, as indicated in section B 1.8, there are mechanisms to prevent this circumstance.

Committee of Appointments and Retributions
Committee of Appointments

54. The majority of the Members of the Appointments Committee —or the Appointments and Compensation Committee, if consisting of only one body—should be Independent Directors.

All of the members of the Committee of Appointment and Retributions belong to other external members

55. In addition to the duties indicated in the preceding Recommendations, the Appointments Committee is responsible for the following:

a) Evaluating the competencies, knowledge and experience that is necessary on the Board and the necessary duties and aptitudes for candidates that cover each vacancy must be determined, while bearing in mind the time and dedication that are necessary to adequately perform the duties of the position.

b) Examining or organizing, in the manner deemed most adequate, the succession of the Chairman and the CEO and, if appropriate, making proposals to the Board so that said succession takes place in an ordered and well-planned fashion.

c) Reporting nominations and removals of senior executives as proposed by the CEO to the Board;

d) Informing the Board of matters regarding gender diversity, as indicated in Recommendation 14 of this Code.

56. The Appointments Committee should consult the Chairman and the CEO of the Company, especially when involving areas relating to Executive Directors. Any Director should be able to request that the Appointments Committee take into consideration, should it deem it appropriate, potential candidates to cover vacancies on the Board.

Committee of Compensation

57. In addition to the duties indicated in the preceding Recommendations, the Compensation Committee is responsible for the following:

a) Making proposals to the Board of Directors:

i) Regarding the compensation policy for Directors and senior management;

ii) Regarding the individual compensation for Executive Directors and other conditions regarding their contracts;

iii) The basic conditions regarding the contracts for senior management.

b) Ensure the observance of the compensation policy established by the Company.

58. The Compensation Committee should consult the Chairman and the CEO of the Company, especially when involving areas relating to the Executive Directors and senior management.

Regarding recommendations 55,56,57 and 58 we refer to what exposed in section B.2.3 of this report en with the functions of the Committee of Appointments and Retributions are exposed.

G) OTHER INFORMATION OF INTEREST

If it is considered that any principles or significant aspects relating to corporate governance practices applied by the entity have not been addressed in this report, describe and explain them below.

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the entity is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

The present Annual Corporate Governance Report contains information concerning Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, the entity resulting from the merger owing to the formation of a new entity, of Cajamar Caja Rural, Sociedad Cooperativa de Crédito y de Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito.

Generally speaking and unless otherwise stated in the notes included below, the information contained in the present Annual Corporate Governance Report is understood to refer to the period from the date of registration of Cajas Rurales Unidas,Sociedad Cooperativa de Crédito in the Corporative Company Government Register on 8/11/2012 until 31/12/2012.

- 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 B.1.1

At the date of issue of this report, the Entity's labour director is in the process of being elected and meanwhile, the former labour director of Cajamar Caja Rural is invited to attend the meetings of the Governing Board.

- Clarifying note B.1.2

The appointment date is considered to be the date of the Entity's registration in the Cooperative Company Government Register as from which time the Entity is considered to have a legal personality.

- Clarifying note B.1.4 and B.1.5

Information is included on the extinguished Cajamar Caja Rural, Sociedad Cooperativa de Crédito (from 1/01/2012 to 8/11/2012) and Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (from 8/11/2012 to 31/12/2012). Mr Manuel Yebra Sola was the General Manager of Cajamar Caja Rural until 8/11/2012 and from that date, the first executive deputy chairman and managing director of Cajas Rurales Unidas.

- Clarifying note C.1

This section has not been completed for the same reasons indicated in the first clarification note.

Clarifying note C.2

These sections have not been completed because they are not applicable to Cajamar as during 2012 no operations of this type have been registered.

Clarifying note C.3

These sections have not been completed because they are not applicable to Cajamar as during 2012 no operations of this type have been registered.

- Clarifying note C.4

This section has not been completed given the cooperative nature of the entity and because, in accordance with the relevant section of the instructions, <<it must only be completed when the legal status of the entity is a public limited liability company>>.

- Clarifying note E.6

Following the merger of Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito, the Entity as the universal successor of both entities assumed the position of issuer of the financial instruments issued by such entities. Nonetheless, it should be noted that during the year there were no meetings of the holders of the securities issued by them.

The Entity 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 21 March 2012.

State whether any directors or members of the governing body voted against or abstained from approval of this report.

CAJAMAR CAJA RURAL SOCIEDAD COOPERATIVA DE CREDITO – APPENDIX TO CONSOLIDATED MANAGEMENT REPORT 2011

SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING IN LISTED COMPANIES (ICFR)

INTRODUCTION

Cajas Rurales Unidas, Caja Rural, Sociedad Cooperativa de Crédito, (hereby "the Entitty" or "the Group") is the heading of a banking group with a cooperative nature that carries out its activities in the financial services sector.

Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, has been created by writing of merger and constitution on October 16 2012, where elavated to the public the amendments and foundational pact of its entities, two preexisting credit cooperatives Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad, Cooperativa de Crédito, entities to which has succeeded, and has asumed all the rights and obligations, aperations, contracts, clients and members, just by the fact of the constitution.

The Entity is actually implementing a System of Internal Control related to the Financial Information (hereby ICFR) with the objective of ensuring that the financial information published in the markets, concerning both to the Entity and the Group is complete, reliable and appropriate.

In the last quarter of 2011 Cajamar Caja Rural, Sociedad Cooperativa de Crédito carried out a project in order to evaluate the control parameters of the ICFR establishing the necessary objectives and plans of action in order to meet the set requirements and adopt the best practices on the field.

Considering the implication of the merger detailed as above, during the last quarter of 2012, the Entity has carried out a project evaluating the development of the control elements in the ICFR and have established targets and necessary action plans with the intention of meeting the appropriate requirements and adopting the best possible practices. Thus certain aspects and elements of the ICFR are currently being developed or implanted, and planned to be fully operational during 2013.

For the ICFR design, the content included in the guide: *Internal Control Document related to the process of financial information en quoted entities*, established by the Spanish Securities Exchange Commission (CNMV), therefore the terminology used in the following heading is linked to the definitions included in the guide.

Consecuently a general vision of the Entity ICFR, with the description of the main consisting elements.

Control environment of the Entity

1. Which bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Governing Body of the Entity and the Board of Directors are aware of the importance of ensuring shareholders and investors, the reliability of the financial information published in the marker, being fully involved in the development of the ICFR.

The Audit Committee is responsible for the supervision of the proper functioning of the ICFR. Among its competencies we find the following:

Supervise the effectiveness of the internal control of the Entity, the internal Audit and the management of risk; as well as discussing with the external auditors the significant weaknesses found during. Auditing. Particularly, with respect to the information and internal control systems:

Verify the adequacy and integrity of the internal control systems.

- Be aware of and supervise the elaboration process and integrity of the financial information related to the Society and the Group, reviewing the compliance of the legal requirements and the correct application of accounting criteria.
- Review form time to time the internal control systems and risk management for the key risks to be identified, managed and publisehd correctly.

- Supervise the process of elaboration and presentation of the regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

Lastly, the Board of Directors is encharged of the design and implantation of the ICFR through the Directorate of General Intervention and Control; implementing the necessary measures in order to maintain the proper functioning of the ICFR.

2. Which departments and/or mechanisms are in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.

The Directorate General of the Entity is responsible of designing an organizational structure with the objective of achieving the most efficient distributions of functions and resources. Also the Unit of General Intervention and Control is responsible for the organizational structure to respond to the demands of an adequate ICFR; and to manage the continuous functioning of the financial information, with the guarantee of a correct disclosure to the market.

The operating procedure manuals with its incoming tasks; who are available for all the Group employees through the intranet of the Entity collects all the organizational structure being well difined the areas as well as the responsible people assigned.

As far as the elaboration of the financial information, such process is made from the Unit of Management and Financial Information, with the necessary collaboration of the Unit of Accounting and Fiscal Control. Recently, the previous Unit of Accounting and Fiscal Control have bee reestructured, defining the tasks and responsibilities and separating the issue and elaboration of the Financial Information from its control. These units are responsible for the Financial Information of the Entity and the accounting consolidation of the Group. Particularly, their mission is to design, evaluate and direct the accounting system and internal accounting control, as well as the management of the information systems of the Group, to ensure the sufficiency, coherence and adequate functioning of the accounting processes, developing the financial statements and sending them to the corresponding Organisms in good time and appropriate manner.

3. The existence or otherwise of the following components, especially in connection with the financial reporting process; (i) code of conduct, (iii) whistle-blowing cannel and (iii) training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management

The Entity has a Code of Conduct that contains a briefing of the general ethical principels, commitments and norms that should be present in when the employees act, in the relationship between them, the clients, the shoraeholders, the suppliers and any other interest party related with the Entity. This code covers aspects such as professional behavior regarding respect, people dignity and its essential rights, legality and loyalty, confidentiality, security and health and quality amongst other.

This document is available in the Entity´s webpage being the Unit of Social Corporate Responsibility responsible for its update and the Committee of Essential Wrights of its interpretation.

The Compliance, Internal Audit and Accounting Control units of the General Management for Inspection and Control are responsible for receiving both internal and external complaints concerning any behaviour contrary to the Entity's rules, principles and values, including any irregular financial and accounting behaviour. The development and implementation of a complaints channel which combines and standardises the procedures in place and enables efficient and confidential communication by employees, customers and suppliers of the irregularities indicated are currently under review.

The Entity has a Financial Training School with a committed vision of the Entity's social responsibility and the professional development of its employees in order to raise the level of its financial training and ensure that they are qualified to advise customers. There is also an Annual Training Plan which includes the courses to be carried out for the Branch Office Network and Central Services. Specifically, there are mandatory internal training courses that cover the following important subjects: Abusive market practice, Anti-money laundering, Law on Personal Data Protection, Insurance Legislation, MIFID and Prevention of Occupational Hazards. The courses carried out by Central Services personnel and all employees involved in the preparation of financial information, in addition to the above courses classified as mandatory, specific accounting –financial services, at the request of area management.

Risk assessment in financial reporting

4. Which of the main characteristics of the risk identification process, including risks of error or fraud, stating whether the process exists and is documented. The process covers all financial reporting objectives, is updated and with what frequency. A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, the process addresses other types of risk insofar as they may affect the financial statements, which of the company's governing bodies is responsible for overseeing the process.

The Entity has developed a tool for the identification of the material areas and the relevant processes, which takes into account risk of error and fraud that my affect significantly to the financial information of the Group.

The tool has been designed taking into account the total scope of the financial information objectives referred to in the *Document of Internal Control of Financial Reporting in Listed Companies emitted by CNMV (*existence and occurrence, integrity, valuation, presentation, disclosure, comparability and rights and obligations)

The criteria applied to all the risk typology to identify and that is included in the design of the tool are both quantitative and qualitative. Apart from the identification considering the risk of fraud and error regarding the published financial information, it also has into account the effect of other type of risks, such as the operative, technological, financial, legal, reputational or environmental.

The periodicity of the identification process in the material areas and relevant processes is due, at least annually, using the most recent financial information. Moreover this evaluation will also be incurred when circumstances which were not identified previously arise and can mean possible errors in financial information or when substantial changes in the operations can lead to the identification of new risks amongst we can include situations that imply changes in the Group structure such as consolidation perimeter modifications or lines of business or other relevant event

Regarding the previous, the Entity has a procedure of update and validation of the consolidation perimeter, issued by the Unit of Investments, from which a form is sent to fill in the necessary data to determine the perimeter and the consolidation process.

Finally, the action of the Entity, in case of identification of any significant risk, including those related to the financial information is to notify them to the Audit Committee and the Risk Committee of the Governing Board

Control Activities

5. Documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgments, estimates, evaluations and projections.

In relation to the specific control activities, whose implementation is stablished with the objetive of mitigating the risk coming from posible errors, inaccuracies or irregularities form the financial information, the Entity has a list of manuals and procedures and accounting policies, y permanent update, jointly with the processes of revision and controls amongst we can find:

- The Consolidated Financial Statements closing procedure. The Group has specific procedures of balances closing, having this responsibility the Unit of Financial Infrmation and Management.
- The general technological controls established by the Group as organization level from the IT department, physical security, logical security, maintenance and development.
- The process of emission of judgments and values and relevant projections regarding amongst other the estimation of Goodwill, the useful life of the material and immaterial assets, the valuation of certain financial assets(liquid assets), the impairment for material and inmaterial assets, the valuation of foreclosed assets whose control fall in the Unit of Accounting and Fiscal Control.

The Entity has an action plan to develop the information in a formal and homogeneus way in the areas and processes identified as relevantes in the Group and no matter what, include the processes of accounting closure, consolidation and emission of judgments and values and relevant projections, amongst other.

6 Internal control policies and procedures for IT systems giving support to key company processes regarding the preparation and publication of financial information

The IT Unit competences are support and maintenance of the operative, communications and data management systems, being one of its main functions the study of systems and norms that allow an assurance degree of data protection and recovery and programs securing the normative compliance and security measures established by law. As for the IT Security Unit, it is the responsible of proposing the data security measures and its application policies. These measures include the existence of an adequate access control the applications and systems, expecting and adequate role segregation.

On the other side, the Entity has application development counts with a regulation that meets the CMMi standards. This regulation allows the IT systems that are develop to work as conceived. And, therefore minimize the possibility of errors in the generation of the financial information.

The Group has a Disaster Recuperation Plan for the areas involved in the process reporting CNMV. The following covers the information systems existing in the parent company where, the process of financial information elaboration is basically carried out.

Finally, the Group counts with a backup policy that ensures the daily realization of a backup copy in the critical environments.

7. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group attends to independent third parties to obtain certain valuations, calculus and estimations used in the generation of the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculus, valuation and assets evaluations.

Actually counts with supervision procedures and revision both form the third parties subcontracted activities and from the calculus and evaluations made by independent experts which are relevant in the financial information of the generation process, and are in a revision and formalization process within the framework of the ICFR with the object of complying with its specifications and with the best practices in the market.

In this way the procedures that are being developed include the following aspects:

- Formal designation of those responsible taking part in the different actions
- Previous analysis in hiring, existing a formal process since the moment where the necessity of externalizing a service or of an independent third party arises in which different proposals are analyzed and where those responsible that should approve the formalization of the contractual relationship are defined.
- Supervision and revision of the information generated or the service provided.
    - For the subcontracted activities: proposal of periodical reports, inclusion in the internal audit panel, obligation of being audited by third parties, periodical revision of the necessary skills and accreditation of the external expert. When the relevance regarding financial information of the externalized service is high, the proposal of third party reports regarding the control of the activities carried out by the entity providing the service.
    - For the evaluations made by external experts: revission controls regarding the validity of the provided information, periodical revisión of the necessary skills and accreditation of the external expert.

8. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case.

The Entity has a revision and authorization procedure regarding financial information which is held to the markets from time to time on a normative basis and which is elaborated from the Directive of Financial Information and Management, under the supervision of the Directive of Accounting Control and Fiscal Control.

The Audit Committee also acts in the revision process informing the Governing Body about its conclusions regarding the financial information presented. For that purpose the basis is the revision made by the external Auditor and the different revisions made by Internal Audit to evaluate the sufficiency of the different controls existing to develop the financial information (as described in heading 14). In last instance, the General Assembly is responsible of annually approving the Governing Body management, in the Annual Account, the Balance, the Income Statement and the distribution of results.

With respect to the description of the IFCR, this is reviewed both by the Directive of Accounting Control and Fiscal Control and Internal Audit, as well as by the Governing Bodies mentioned previously, as part of the periodical information that Cajamar issues to the markets

<u>Information and Communication</u>

9. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations.

The Unit of Normative Compliance is the responsible of informing the different departments interested for any change in the law, new *Circulares* or any other normative change made. It is the Unit of Accounting Control and Fiscal Control the one responsible of understanding and fixing the accounting policies implanted in the Entity

In all events, the accounting policies are subject to the actualization, against any normative change required and any new decision which modifies them in those cases existing a deal of discretion.

To exert this permanent actualization labor, the responsible of the Unit is permanently informed about any law renewal that are subject to apply in the existing legislation, through *Circulares* and releases emitted by the UNACC, bulletins and technical reports emitted by experts in the field, and through the daily revision of any normative change published in the BOE, ICAC and CNMV, consulting, if need be, to external experts proceeding to its communication and proposing the necessary formative actions.

Finally, the Directive of Accounting Control and Fiscal Control is responsible of resolving any doubt or interpretation conflict arising in the application of accounting policies, maintaining a fluid communication with the different people responsible of the areas of the head Entity and the rest of entities in the Group, involved in the process of preparation of the financial information.

10. A manual of accounting policies regularly updated and communicated to all the company's operating units.

The Entity does not have a unique Manual of Accounting Policies, but amongst the universe of its accounting policies, it includes the Bank of Spain (Circular 4/2004 and its subsequent amendments), the policies whose development is demanded by the existing legislation., as well as the specific policies elaborated by the Entity, being all of them available in the intranet of the Entity, where any actualization is announced.

With respect to the subsidiaries and affiliates of the Group, while these elaborate their own accounting in a decentralized way in accordance with their own procedures and accounting policies, however they have to mandatorily fulfill with the norms and directives emitted from the Directive of Accounting Control and Fiscal Control, who also has the labor of supervising these.

It is necessary to recall that the subsidiaries and affiliates elaborate their own financial information based on format previously agreed by the head Entity with the objective of maintaining the financial statements in the most homogenous format as possible in order to ease the consolidated information of the Group. Because of this, they have to fulfill with the accounting and norm criteria emitted by the Directive of Accounting Control and Fiscal Control

11. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The Entity has applications and IT systems that allow aggregating and homogenizing the individual accounting performed from different areas and subsidiaries that make the Group, with the necessary level of breakdown, as well as finally generating the individual and consolidated statements which are reported and other financial information published in the markets.

With respect to the accounting information of the head entity, the capture comes essentially from the Financial Terminal, upon which financial information is uploaded, as well as in a daily basis the information originated in the different application of each Business Area.

On the other side, each subsidiary is responsible for realizing its own accounting in the stablished systems and in any case they register the accounting information in PGC (Plan General de Contabilidad) format. Therefore they elaborate their own financial statements, always under the guidelines of the Unit of Accounting and Fiscal Control

The Unit of Financial and Management Information is the responsible of aggregating, homogenizing and reporting the information, using common systems and applications used for it. Such Unit uses the application "COGNOS Controller" to make the automatic processes of consolidation.

The information coming from the affiliates is uploaded in the application SGP (System of Affiliates Management in Spanish) and it the Unit of Financial and Management Information the one charged of importing this information and uploading it in Cognos Controller (consolidation application).

Supervision of the system functioning

12. An internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR

The internal audit function lies on the Directive of Auditing of the Entity, which depends organizationally on the Directive of General Intervention and Control and functionally on the Audit Committee.

The Audit Committee relies on Internal Audit to undertake the supervision of the Internal Control System and the IFCR. The functions of Internal Audit are to make programmed revisions of the implanted systems for risk control, of the internal operative procedures and the internal and external normative compliance.

13. A discussion procedure whereby the auditor, the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Audit Commitee meet with the external auditors at least two or three times a year previous to the formulation of the Annual Accounts and two present the most important results of their work.

It is amongst the Audit Committee competences, in accordance with the Company Bylaws**,** (Article 41.4e) as well as in their Regulations as indicated in point 3.5, the discussion with the external auditor regarding all the issues as well as any other communications planned in the legislation of annual accounts auditing and in the technical Auditing standards. Also it will work as interlocutor between the external Auditor and the Governing Body**.**

The cited regulation also rewards the Audit Committee the faculty of being aid by independent experts that help in their labot (art. 12)

In article 8 of the Regulation of the Audit Committee it is specified that the Committee will meet in an ordinary basis at least 5 times a year. In each of these sessions the Directive of Internal Audit exposes the conclusions of all the work done, informing the Committee of the weaknesses detected as well as the action plans proposed by the different areas to address this weaknesses.

14. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Directive of Internal Audit of Group Cajamar elaborates an annual Audit plan which is approved by the Audit Committe. Such audit plan is elaborated with the objective of reviewing the critical risks of the Entity.

The Audit plan includes the revision of the key areas in the financial statements as well as the key controls that supervise these areas. Also general controls regarding information systems are subject to be reviewed.

If during the Audit revisions weaknesses or other improvement aspects are detected an action plan is proposed, agreed with the areas involved defining the people responsible and the time scheduled for its implantation. Moreover, from the Audit point of view, a monitoring of these action plans is made.

15. Describe the ICFR monitoring activities undertaken by the audit committee.

Periodically, the Directive of Internal Audit presents to the Audit Committee the results in the verification and validation tasks made, as well as the associated action plans. The tasks made by the external auditor or any other independent expert follow the same procedures.

Through the minutes of the meetings of the Audit Committee, there is evidence that the previous activities made in the supervision policy, both in its planning (approved of the operative annual plan, responsible people designated for executing them, amongst others) and its revision of goals achieved.

16. State whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Certain aspects of the IFCR are actually in formalization process through an implementation plan and it is expected they will finish during 2013. For this reason, the Entity has decided not to tailor IFCR revision by the external Auditor

The Entity will evaluate the convenience whether to tailor or not to a revision by the external Auditor the information in the IFCR issued to the markets for 2013.

The Governing Body in the session held on 21 March 2013, has prepared the Consolidated Annual Accounts of Grupo Cooperativo Cajas Rurales Unidas and its Consolidating Entities corresponding to year 2012, as well as the Consolidated Management Report of the year.

The members of the Governing Body sign the present document in conformity with the above cited preparation and the Secretary of the Board signs on the effect of identification all the integrated page in the Annual Accounts and the Management Report.

D. JUAN DE LA CRUZ CÁRDENAS RODRIGUEZ.
President

D. MANUEL YEBRA SOLA.
First Executive Vicepresident and Chief Executive Officer

D. ANTONIO LUQUE LUQUE.
Second Co-president

D. FRANCISCO LORENTE BROX.
Third Co-president

D. PASCUAL RICARDO CANDEL MARTÍNEZ
Secretary

D. JERÓNIMO MOLINA HERRERA.
Vocal

D. FRANCISCO ELIAS GONGORA CAÑIZARES.
Vocal

D. LUIS ROBLEDO GRAU.
Vocal

Dña. MARIA GADOR VILLALOBOS MEJIA.
Vocal

D. JUAN CARLOS RICO MATEO.
Vocal

D. FRANCISCO MARTINEZ-COSENTINO JUSTO.
Vocal

D. CARLOS PEDRO DE LA HIGUERA PÉREZ.
Vocal

D. FRANCISCO JAVIER RAMIREZ ARCEO.
Vocal

Dña. MARIA LUISA TRINIDAD GARCÍA.
Vocal

Almería, March 21 2013

Statement extended by the Secretary to the Governing Board of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito in order to place on record:

That in relation to the Signature Page related to the Preparation of the Annual Accounts and the Directors' Reports of both the Individual Annual Accounts and the Consolidated Annual Accounts of Caja Rurales Unidas, Sociedad Cooperativa de Crédito, all of which relate to the year ended 31 December 2012 to which the present Statement relates, the same were signed on 21 March 2013, date of the meeting of the Governing Board during which such Annual Accounts were duly drawn up by all the members of the Entity's Governing Board except for the member Ms Maria Luisa Trinidad Garcia.

That the reason why the signature of the aforementioned Member of the Governing Board, Ms Maria Luisa Trinidad García, does not appear is due to her justified absence during the meeting of the Governing Board on 21 March 2013 as was duly reported in the minutes certificate of the meeting, the Chairman having been notified sufficiently in advance of her inability to attend and such circumstance being the only reason why she was unable to sigh the signature pages relating to the Preparation of the aforementioned Annual Accounts and respective Directors' Reports.

That therefore the preparation of the Individual Annual Accounts and Consolidated Annual Accounts and respective Directors' Reports was completed in the legally envisaged manner during the aforementioned meeting of the Governing Board of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, on 21 March 2013, by all members attending the Governing Board and all applicable legislative requirements were met.

In witness s whereof and for the pertinent purposes, I issue the present document in Almeria, on 21 March 2013.

Pascua Candel Martinez

Secretary to the Governing Board of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito