Banco Cooperativo Español, S.A. and Subsidiaries

Consolidated Annual Accounts
31 December 2015

Consolidated Directors' Report
2015

(With Auditor's Report Thereon)

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

KPMG Auditores S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of
Banco Cooperativo Español, S.A.:

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Banco Cooperativo Español, S.A. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2015 and the consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of total changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' Responsibility for the Consolidated Annual Accounts

The Directors of the Bank are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Banco Cooperativo Español, S.A. and subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, specified in note 1 (b) to the accompanying consolidated annual accounts, and for such internal control that they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated annual accounts by the Bank's Directors in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

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

Opinion

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Banco Cooperativo Español, S.A. and subsidiaries at 31 December 2015 and of their consolidated financial performance and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains such explanations as the Directors of the Bank consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2015. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Banco Cooperativo Español, S.A. and subsidiaries.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

Julio Álvaro Esteban

4 April 2016

Consolidated balance sheets at 31 December 2015 and 2014 (Notes 1 to 4)

(in thousands of Euros)

ASSETS	NOTE	2015	2014(*)
1.CASH AND BALANCES WITH CENTRAL BANKS	**5**	229,485	266,571
2. FINANCIAL ASSETS HELD FOR TRADING	**6**	2,792,309	3,656,104
2.1. Loans and advances to credit institutions		-	-
2.2. Loans and advances to other debtors		-	-
2.3. Debt securities		2,294,463	3,091,107
2.4. Equity instruments		-	297
2.5. Trading derivatives		497,846	564,700
Memorandum item: Loaned or pledged		2,083,853	1,574,286
3. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
3.1. Loans and advances to credit institutions		-	-
3.2. Loans and advances to other debtors		-	-
3.3. Debt securities		-	-
3.4. Equity instruments		-	-
Memorandum item: Loaned or pledged		-	-
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	**7**	3,828,866	3,910,290
4.1. Debt securities		3,811,691	3,883,969
4.2. Equity instruments		17,175	26,321
Memorandum item: Loaned or pledged		3,442,294	2,424,087
5. LOANS AND RECEIVABLES	**8**	10,422,630	12,021,158
5.1. Loans and advances to credit institutions		9,369,469	10,934,067
5.2. Loans and advances to other debtors		995,342	1,016,805
5.3. Debt securities		57,819	70,286
Memorandum item: Loaned or pledged		-	-
6. HELD-TO-MATURITY INVESTMENTS	**9**	115,454	143,988
Memorandum item: Loaned or pledged		51,150	57,374
7. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
8. HEDGING DERIVATIVES	**15**	23	-
9. NON-CURRENT ASSETS HELD FOR SALE		-	-
10. EQUITY INVESTMENTS	**10**	-	-
10.1. Associates		-	-
10.2. Jointly controlled entities		-	-
11. INSURANCE CONTRACTS LINKED TO PENSIONS		-	-
12. TANGIBLE ASSETS, REINSURANCE ASSETS		-	-
13. TANGIBLE ASSETS	**11**	15,298	15,500
13.1. Tangible assets		15,298	15,500
13.1.1. For own use		15,298	15,500
13.1.2. Leased out under operating leases		-	-
13.1.3. Assigned to welfare projects (savings banks and credit cooperatives)		-	-
13.2. Investment property		-	-
Memorandum item: Acquired under a finance lease		-	-
14. INTANGIBLE ASSETS	**12**	1,410	1,572
14.1. Goodwill		-	-
14.2. Other intangible assets		1,410	1,572
15. TAX ASSETS	**20**	34,034	17,950
15.1. Current		6,513	4,386
15.2. Deferred		27,521	13,564
16. OTHER ASSETS	**14**	3,241	3,001
16.1. Inventories		-	-
16.2. Other		3,241	3,001
TOTAL ASSETS		**17,442,750**	**20,036,134**

EQUITY AND LIABILITIES	NOTE	2015	2014(*)
LIABILITIES			
1. FINANCIAL LIABILITIES HELD FOR TRADING	**6**	625,034	554,519
1.1. Deposits from central banks		-	-
1.2. Deposits from credit institutions		-	-
1.3. Deposits from other creditors		-	-
1.4. Debt certificates including bonds		-	-
1.5. Trading derivatives		430,012	553,017
1.6. Short positions		195,022	1,502
1.7. Other financial liabilities		-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**6**	4,731	4,731
2.1. Deposits from central banks		-	-
2.2. Deposits from credit institutions		4,731	4,731
2.3. Deposits from other creditors		-	-
2.4. Debt certificates including bonds		-	-
2.5. Subordinated liabilities		-	-
2.6. Other financial liabilities		-	-
3. FINANCIAL LIABILITIES AT AMORTISED COST	**13**	16,283,167	18,993,349
3.1. Deposits from central banks		4,672,671	9,128,132
3.2. Deposits from credit institutions		6,677,190	8,705,413
3.3. Deposits from other creditors		4,921,950	744,807
3.4. Debt certificates including bonds		-	361,930
3.5. Subordinated liabilities		-	-
3.6. Other financial liabilities		11,356	53,067
4. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
5. HEDGING DERIVATIVES	**15**	49,654	33,332
6. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-	-
7. LIABILITIES UNDER INSURANCE CONTRACTS		-	-
8. PROVISIONS	**16**	232	221
8.1. Provision for pensions and similar obligations		-	-
8.2. Provisions for taxes and other legal contingencies		-	-
8.3. Provisions for contingent exposures and commitments		232	221
8.4. Other provisions		-	-
9. TAX LIABILITIES	**20**	7,752	11,585
9.1. Current		1,229	1,170
9.2. Deferred		6,523	10,415
10. WELFARE FUNDS		-	-
11. OTHER LIABILITIES	**14**	41,129	35,154
12. CAPITAL REFUNDABLE ON DEMAND		-	-
TOTAL LIABILITIES		**17,011,699**	**19,632,891**
EQUITY			
1. SHAREHOLDERS' EQUITY		421,484	384,139
1.1. Share capital or assigned capital	18	99,036	91,009
1.1.1. Registered		99,036	91,009
1.1.2. Less: Uncalled capital (-)		-	-
1.2. Share premium	18	85,972	85,972
1.3. Reserves	19	199,117	160,838
1.3.1. Accumulated reserves (losses)		199,117	160,838
1.3.2. Reserves (losses) of entities accounted for using the equity method		-	-
1.4. Other equity instruments		-	-
1.4.1. Equity component of compound financial instruments		-	-
1.4.2. Non-voting equity units and associated funds		-	-
1.4.3. Other equity instruments		-	-
1.5. Less: Treasury shares		-	-
1.6. Profit for the year attributable to the parent company	19	37,359	46,320
1.7. Less: Dividends and remuneration		-	-
2. VALUATION ADJUSTMENTS	**17**	9,497	18,945
2.1. Available-for-sale financial assets		9,489	18,945
2.2. Cash flow hedges		8	-
2.3. Hedges of net investments in foreign operations		-	-
2.4. Exchange gains/(losses)		-	-
2.5. Non-current assets held for sale		-	-
2.6. Entities accounted for using the equity method		-	-
2.7. Other valuation adjustments		-	-
3. MINORITY INTERESTS		70	159
3.1. Valuation adjustments		-	-
3.2. Other		70	159
TOTAL EQUITY		**431,051**	**403,243**
TOTAL EQUITY AND LIABILITIES		**17,442,750**	**20,036,134**
MEMORANDUM ITEM			
1. CONTINGENT EXPOSURES	**21**	87,996	97,921
2. CONTINGENT COMMITMENTS	**21**	180,214	178,982

Notes 1 to 36 and Appendices I to III to the accompanying consolidated annual accounts form an integral part of the consolidated balance sheet at 31 December 2015.

(*) Presented solely and exclusively for comparison purposes

Consolidated income statements for the years ended 31 December 2015 and 2014 (Notes 1 to 4)

(in thousands of Euros)	NOTE	2015	2014(*)
1. INTEREST AND SIMILAR INCOME	24	103,356	216,209
2. INTEREST EXPENSE AND SIMILAR CHARGES	25	39,956	145,852
3. EQUITY REFUNDABLE ON DEMAND		-	-
A) INTEREST MARGIN		63,400	70,357
4. DIVIDEND INCOME	26	264	1,073
5. SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
6. FEE AND COMMISSION INCOME	27	52,805	40,582
7. FEE AND COMMISSION EXPENSE	28	37,391	25,337
8. GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (NET)	29	10,933	9,599
8.1. Trading portfolio		6,992	5,651
8.2. Other financial instruments at fair value through profit or loss		-	-
8.3. Financial instruments not carried at fair value through profit or loss		4,191	3,948
8.4. Other		(250)	-
9. EXCHANGE DIFFERENCES (NET)	29	696	290
10. OTHER OPERATING INCOME		2,658	2,309
10.1. Insurance and reinsurance income		-	-
10.2. Sales and income from the provision of non-financial services		2,579	2,198
10.3. Other operating income		79	111
11. OTHER OPERATING EXPENSES		9,093	227
11.1 Insurance and reinsurance expenses		-	-
11.2. Changes in inventories		-	-
11.3. Other operating expenses	1(h)	9,093	227
B) GROSS MARGIN		84,272	98,646
12. ADMINISTRATIVE EXPENSES		22,779	22,473
12.1. Personnel expenses	30	14,176	14,095
12.2. Other administrative expenses	31	8,603	8,378
13. AMORTISATION AND DEPRECIATION	11, 12	1,398	1,411
14. PROVISIONING EXPENSE (NET)	16, 35	31	(303)
15. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	35	7,925	9,273
15.1. Loans and receivables		3,971	8,889
15.2. Other financial instruments not carried at fair value through profit or loss		3,954	384
C) PROFIT ON OPERATING ACTIVITIES		52,139	65,792
16. IMPAIRMENT LOSSES ON OTHER ASSETS (NET)		-	-
16.1. Goodwill and other intangible assets		-	-
16.2. Other assets		-	-
17. GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE		(1)	-
18. NEGATIVE DIFFERENCES ON BUSINESS COMBINATIONS		-	-
19. GAINS/(LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS		-	-
D) PROFIT BEFORE TAX		52,138	65,792
20. INCOME TAX	20	14,781	19,470
21. MANDATORY TRANSFER TO WELFARE FUNDS		-	-
E) PROFIT FROM CONTINUING OPERATIONS		37,357	46,322
22. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (NET)		-	-
F) CONSOLIDATED PROFIT FOR THE YEAR		37,357	46,322
F.1) Profit attributable to the Parent	19	37,359	46,320
F.2) Profit attributable to minority interests		(2)	2
EARNINGS PER SHARE (Euros)	3	22.67	30.59

Notes 1 to 36 and Appendices I to III to the accompanying consolidated annual accounts form an integral part of the consolidated income statement for 2015.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
for the years ended 31 December 2015 and 2014 (Notes 1 to 4)

(in thousands of Euros)	NOTE	2015	2014(*)
A) CONSOLIDATED PROFIT FOR THE YEAR	**19**	37,357	46,322
B) OTHER RECOGNISED INCOME AND EXPENSE		(9,449)	13,990
1. Available-for-sale financial assets	**17**	(13,509)	19,986
1.1. Revaluation gains/(losses)		(9,357)	16,892
1.2. Amounts transferred to the income statement		(4,152)	3,094
1.3. Other reclassifications		-	-
2. Cash flow hedges		11	-
2.1. Revaluation gains/(losses)		11	-
2.2. Amounts transferred to the income statement		-	-
2.3. Amounts transferred to the initial carrying amount of hedged items		-	-
2.4. Other reclassifications		-	-
3. Hedges of net investments in foreign operations		-	-
3.1. Revaluation gains/(losses)		-	-
3.2. Amounts transferred to the income statement		-	-
3.3. Other reclassifications		-	-
4. Exchange differences		-	-
4.1. Revaluation gains/(losses)		-	-
4.2. Amounts transferred to the income statement		-	-
4.3. Other reclassifications		-	-
5. Non-current assets held for sale		-	-
5.1. Revaluation gains/(losses)		-	-
5.2. Amounts transferred to the income statement		-	-
5.3. Other reclassifications		-	-
6. Actuarial gains/(losses) on pension plans		-	-
7. Entities accounted for using the equity method		-	-
7.1. Revaluation gains/(losses)		-	-
7.2. Amounts transferred to the income statement		-	-
7.3. Other reclassifications		-	-
8. Other recognised income and expense		-	-
9. Income tax	**17**	4,049	(5,996)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)		27,908	60,312
C 1) Attributable to the parent company		27,910	60,310
C 2) Attributable to minority interests		(2)	2

Notes 1 to 36 and Appendices I and III to the accompanying consolidated annual accounts form part of the consolidated statement of recognised income and expense at 31 December 2015.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2014 and 2013 (Notes 1 to 4)

	Capital	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities accounted for using the equity method	Other equity instruments	Less: Treasury shares	Profit attributable to the Parent	Less: Dividends and remuneration	Total shareholders' equity	Valuation adjustments	TOTAL	Minority interests	TOTAL EQUITY
1. Closing balance at 31 December 2013	91,009	85,972	129,657	428	-	-	43,019	-	350,085	4,955	354,774	157	355,197
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	(266)	-	(266)	-	-	-	(266)
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	91,009	85,972	129,657	428	-	-	42,753	-	349,819	4,955	354,774	157	354,931
3. Total recognised income and expense	-	-	-	-	-	-	46,320	-	46,320	13,990	60,310	2	60,312
4. Other changes in equity	-	-	31,181	(428)	-	-	(42,753)	-	(12,000)	-	(12,000)	-	(12,000)
4.1 Increases in share capital/assigned capital (b)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4 Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends/shareholder remuneration (c)	-	-	(12,000)	-	-	-	-	-	(12,000)	-	(12,000)	-	(12,000)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	43,181	(428)	-	-	(42,753)	-	-	-	-	-	-
4.10 Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretional contributions to welfare funds (savings banks and credit cooperatives only)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity-settled payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13 Other equity increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Closing balance at 31 December 2014	91,009	85,972	160,838	-	-	-	46,320	-	384,139	18,945	403,084	159	403,243

Notes 1 to 36 and Appendices I to III to the accompanying consolidated annual accounts form part of the consolidated statement of total changes in equity at 31 December 2015.

ONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2015 and 2014 (Notes 1 to 4)

	Capital	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities accounted for using the equity method	Other equity instruments	Less: Treasury shares	Profit attributable to the Parent	Less: Dividends and remuneration	Total shareholders' equity	Valuation adjustments	TOTAL	Minority interests	TOTAL EQUITY
1. Closing balance at 31 December 2014	91,009	85,972	160,838	-	-	-	43,046,320	-	384,139	18,945	403,084	159	403,243
							-						
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-		-	-	-	-	-	-
1.2 Adjustments made to correct errors							-						
	-	-	-	-	-	-		-	-	-	-	-	-
2. Adjusted opening balance							46,320						
	91,009	85,972	160,838	-	-	-		-	384,140	18,945	403,085	159	403,244
3. Total recognised income and expense							37,359						
	-	-	-	-	-	-		-	37,359	(9,448)	27,911	(2)	27,909
4. Other changes in equity							(46,320)						
	8,027	-	38,279	-	-	-		-	(15)	-	(15)	(87)	(102)
4.1 Increases in share capital/assigned capital (b)							-						
4.2 Capital decreases	8,027	-	(8,027	-	-	-		-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity							-						
4.4 Increases in other equity instruments	-	-	-	-	-	-		-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other	-	-	-	-	-	-	-	-	-	-	-	-	-
equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to	-	-	-	-	-	-	-	-	-	-	-	-	-
financial liabilities							-						
4.7 Distribution of dividends/shareholder	-	-	-	-	-	-		-	-	-	-	-	-
remuneration (c)							-						
4.8 Operations with own equity instruments (net)	-	-	(15)	-	-	-		-	(15)	-	(15)	(87)	(102)
4.9 Transfers between equity items							-						
4.10 Increases (decreases) due to business	-	-	-	-	-	-		-	-	-	-	-	
combinations							-						-
4.11 Discretional contributions to welfare funds	-	-	46,320	-	-	-		-	-	-	-	-	
(savings banks and credit cooperatives only)	-	-	-	-	-	-	(46,320)	-	-	-	-	-	-
4.12 Equity-settled payments													-
4.13 Other equity increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-	-	
													-
5. Closing balance at 31 December 2015	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-		-	-	-	-	-	-
							-						-
	99,036	85,972	119,117	-	-	-	(46,320)	-	421,484	9,497	430,981	70	431,051

Notes 1 to 36 and Appendices I to III to the accompanying consolidated annual accounts form part of the consolidated statement of total changes in equity at 31 December 2015.

CONSOLIDATED STATEMENTS OF CASH FLOWS for the years ended 31 December 2015 and 2014 (Notes 1 to 4)

(in thousands of Euros)	NOTE	2015	2014(*)
A). CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(60,530)	(147,167)
1. Consolidated profit for the year	**19**	37,357	46,322
2. Adjustments to obtain cash flows from operating activities		24,104	30,843
2.1. Amortisation and depreciation	**11,12**	1,398	1,411
2.2. Other adjustments		22,706	29,432
3. Net increase/ decrease in operating assets		2,526,350	4,079,634
3.1. Financial assets held for trading	**6**	863,795	1,276,847
3.2. Other financial assets at fair value through profit or loss		-	-
3.3. Available-for-sale financial assets	**7**	71,977	(1,920,061)
3.4. Loans and receivables	**8**	1,590,602	4,722,848
3.5. Other operating assets		(23)	-
4. Net increase/(decrease) in operating liabilities		(2,623,345)	(4,286,695)
4.1. Financial assets held for trading	**6**	70,515	126,656
4.2. Other financial liabilities at fair value through profit or loss	**6**	-	4,731
4.3. Financial liabilities at amortised cost	**13**	(2,710,183)	(4,445,663)
4.4. Other operating liabilities		16,322	27,315
5. Income tax received/paid	**20**	(24,997)	(17,537)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		11,177	231,600
6. Payments		(17,357)	(1,440)
6.1. Tangible assets	**11**	(367)	(230)
6.2. Intangible assets	**12**	(668)	(1,210)
6.3. Equity investments		-	-
6.4. Other business units		-	-
6.5. Non-current assets and associated liabilities held for sale		-	-
6.6. Held-to-maturity investments		-	-
6.7. Other payments relating to investing activities		(16,323)	-
7. Collections		28,534	233,040
7.1. Tangible assets		-	-
7.2. Intangible assets		-	-
7.3. Equity investments		-	-
7.4. Other business units		-	-
7.5. Non-current assets and associated liabilities held for sale		-	-
7.6. Held-to-maturity investments	**9**	28,534	225,844
7.7. Other collections relating to investing activities		-	7,196
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		12,267	(1,867)
8. Payments		(102)	(12,000)
8.1. Dividends	**3,18**	(102)	(12,000)
8.2. Subordinated liabilities		-	-
8.3. Redemption of own equity instruments		-	-
8.4. Acquisition of own equity instruments		-	-
8.5. Other payments relating to financing activities		-	-
9. Collections		12,369	10,133
9.1. Subordinated liabilities		-	-
9.2. Issuance of own equity instruments		-	-
9.3. Disposal of own equity instruments		-	-
9.4 Other collections relating to financing activities	**13**	12,369	10,133
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(37,086)	82,034
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		266,571	184,537
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR		229,485	266,571
MEMORANDUM ITEM			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**5**		
1.1. Cash		844	802
1.2. Cash equivalents at central banks		228,641	265,769
1.3. Other financial assets		-	-
1.4. Less: Bank overdrafts repayable on demand		-	-
Total cash and cash equivalents at end of the year		229,485	266,571

Notes 1 to 36 and Appendices I to III to the accompanying consolidated annual accounts form part of the consolidated statement of cash flows at 31 December 2015.
(*) Presented solely and exclusively for comparison purposes

1. Introduction, Basis of Presentation, Consolidation Principles and Other Information

a) Introduction

Banco Cooperativo Español, S.A. (hereinafter the Bank or the Entity) is a private-law entity subject to the rules and regulations applicable to banks operating in Spain.

The Bank was incorporated on 31 July 1990. The share capital of the Bank is held by 38 Spanish credit cooperatives and a German bank. The Bank operates from two offices in Madrid.

The Bank contributes to the Credit Institution Deposit Guarantee Fund regulated by Royal Decree-Law 16/2011 of 14 October 2011). It has also been entered in the Bank of Spain's Special Registry of Banks and Bankers with number 0198.

The Bank is the parent company of a group of financial institutions that engage in various business activities, which it controls directly or indirectly and with which it forms the Banco Cooperativo Español Group (hereinafter the Group). After harmonisation of accounting principles, adjustments and consolidation eliminations, the Bank represents 99.8% of the Group's total assets at 31 December 2015 and 2014. It is therefore obliged to prepare the Group's consolidated annual accounts, in addition to its own individual annual accounts.

The balance sheets of Banco Cooperativo Español, S.A at 31 December 2015 and 2014 and the corresponding income statements, statements of recognised income and expense, statements of changes in equity and statements of cash flows for the years then ended are presented in Appendix I.

b) Basis of presentation of the consolidated annual accounts

The consolidated annual accounts of the Bank and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (hereinafter EU-IFRS), taking into consideration Bank of Spain Circular 4/2004 of 22 December 2004 and subsequent amendments.

As permitted by IAS 1.81, the Group has opted to present separate statements, one displaying the components of consolidated profit or loss, entitled the "consolidated income statement", and another reflecting the components of other comprehensive income for the year, based on the consolidated profit or loss for the year, entitled the "consolidated statement of recognised income and expense", using the name given by Bank of Spain Circular 4/2004.

The Group's consolidated annual accounts have been prepared by the Bank's directors to present fairly the consolidated equity and consolidated financial position at 31 December 2015 as well as the results of its consolidated operations and consolidated cash flows for the year then ended.

These consolidated annual accounts have been prepared on the basis of the individual accounting records of the Entity and each of the subsidiaries which, together with the Entity, form the Group. The consolidated annual accounts include certain adjustments and reclassifications necessary to harmonise the accounting and presentation criteria used by the companies forming the Group with those used by the Entity. The directors of the Entity consider that the consolidated annual accounts for 2015 and the individual accounts of the Bank and the subsidiaries will be approved by the shareholders at their respective annual general meetings with no significant changes.

The consolidated annual accounts for 2014 were approved by the shareholders at the annual general meeting held on 27 May 2015.

c) Significant accounting principles

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

The main standards or amendments to the IFRS adopted by the European Union that came into force for obligatory application in the annual period that commenced on 1 January 2015, the effects of which are significant for the Group and which have been included in the accompanying consolidated annual accounts where applicable, are as follows:

- Amendment to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions. This amendment provides the option of recognising these contributions as a reduction in the service cost in the same period in which they are payable, if certain requirements are met.

- Annual improvements to IFRSs 2010-2012 cycle: Introduces minor amendments and clarifications to IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets.

- Annual improvements to IFRSs 2011-2013 cycle: Introduces minor amendments and clarifications to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, and IAS 40 Investment Property.

The main standards and interpretations issued by the IASB, the application of which was not mandatory when preparing these consolidated annual accounts, either because their effective application date is after 31 December 2015 or because they have not been adopted by the European Union, and which are significant for the Group, are as follows:

- IFRS 9 Financial Instruments: Classification and Measurement. This standard will apply prospectively for periods beginning on or after 1 January 2018 and may be early applied. Pending adoption by the European Union. In the future, IFRS 9 will replace the section of IAS 39 that deals with classification and measurement.

- This standard contains significant differences with the current standard with regard to financial assets, including a new classification model based on two single categories –amortised cost and fair value– and the elimination of the current classifications of held-to-maturity investments and available-for-sale financial assets. Their classification will depend upon the business model adopted by the entity to manage them and the nature of the contractual cash flows. Financial liabilities shall generally be measured at amortised cost, except in the case of financial liabilities held for trading, which shall be measured at fair value through profit or loss.

  The impairment of financial instruments encompassed in this standard is to be recorded upon initial recognition, in accordance with the new concept of "expected loss". This provision shall be recognised on the basis of future events that could modify the credit risk of the financial instruments. In any case, a provision shall be recognised for at least the amount of expected losses derived from impairment events that affect financial instruments in the period subsequent to their initial recognition.

- Amendments to IFRS 7 Financial Instruments: Disclosures: This amendment will require further disclosures on the first-time application of IFRS 9.

- Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations: When the joint operation is a business, the amendment requires application of the acquisition method set out in IFRS 3 Business Combinations, which had not been specifically addressed previously. This standard will be effective prospectively for annual periods beginning on or after 1 January 2016, although early application is permitted.

- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation. These clarify the fact that revenue-based methods are not permitted, as they do not reflect the expected pattern of consumption of the future economic benefits embodied in the asset. This standard will be effective prospectively for annual periods beginning on or after 1 January 2016, although early application is permitted.

- IFRS 15 Revenue from Contracts with Customers. The new revenue standard will affect all industries and sectors. It will replace IAS 18 and IAS 11, as well as the current interpretations on revenue (IFRIC 13, 15 and 18 and SIC 31). The new IFRS 15 model is much more restrictive and ruled-based, so application of the new requirements could result in changes to the risk profile. This standard will be effective for annual periods beginning on or after 1 January 2018, although early application is permitted.

- Amendment to IAS 1 Presentation of Financial Statements. This standard will be effective for annual periods beginning on or after 1 January 2016, although early application is permitted. It introduces companies' professional judgement in determining what information to disclose in their financial statements regarding the grouping of certain items from the statement of financial position, income statement and statement of comprehensive income for the period, as well as the order of disclosures in the report.

- Amendment to IAS 27, Equity Method in Separate Financial Statements. This amendment permits the application of the equity method of accounting for investments in subsidiaries, joint ventures and associates. This standard will be effective for annual periods beginning on or after 1 January 2016, although early application is permitted.

- Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. This amendment stipulates that when an entity sells or contributes assets constituting a business to an associate or joint venture, it must recognise the total gains or losses on the transaction. However, if the assets transferred do not constitute a business, the gains or losses are to be recognised in proportion to the stake held in the associate or joint venture by other investors not related to the entity.

  The amendment also includes changes to the measurement and presentation of consolidated financial statements of a parent company that is a subsidiary of an investment entity. Companies that meet the definition of an investment firm may recognise their investments at fair value. This exception may not be applied by the ultimate parent if it is not an investment company itself.

  These amendments will be effective for annual periods beginning on or after the date of entry into force, which has yet to be determined, although early application is permitted.

- Annual improvements to IFRSs 2012-2014 cycle: Introduces minor amendments and clarifications to IFRS 5, Measurement and Classification of Reclassified Non-current Assets Held for Sale and Distribution; IFRS 7, Disclosures on Continuing Involvement; IAS 19, On the Discount Rate and Currency to Use in the Absence of High-quality Corporate Bonds; and IAS 34, On the Use of Cross-References to Management Reports in the Interim Report". This standard will be effective for annual periods beginning on or after 1 January 2016, although early application is permitted.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures. These introduce clarifications regarding the recognition of investment companies. This standard will be effective for annual periods beginning on or after 1 January 2016, although early application is permitted.

- IAS 12 Income Taxes. Clarifies the requirements for the recognition of deferred tax assets derived from unrealised losses on debt instruments recognised at fair value. This standard will be effective for annual periods beginning on or after 1 January 2017, although early application is permitted.

- IFRS 16 Leases. Replaces the current IAS 17. The new standard establishes a single accounting model for lessees for the recognition of assets and liabilities under lease contracts with a duration of over 12 months. This standard will be effective for annual periods beginning on or after 1 January 2019, although early application is permitted in conjunction with IFRS 15.

All obligatory accounting principles and measurement criteria with a significant effect on the consolidated annual accounts have been applied.

d) Judgements and estimates used

In the Group's consolidated annual accounts for 2015 senior management of the Group made estimates, which were later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (notes 7 ,8 and 9)
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and commitments (note 2 n)
- The useful lives of tangible and intangible assets (notes 11 and 12)
- The fair value of certain financial assets not quoted on official markets (notes 6 and 7)
- Estimates used in the calculation of other provisions (note 16)
- Calculation of income tax and deferred tax assets and liabilities (note 20).

The above-mentioned estimates are based on the best information available at 31 December 2015 regarding the analysed events. However, events arising in the future could require these estimates to be significantly increased or decreased in coming years. Any required updates would be made prospectively in accordance with EU-IFRS, recognising the effect of the change in estimates in the consolidated income statement in the year in which they arose.

e) Consolidation principles

The following accounting principles and measurement criteria, which reflect those set out in EU-IFRS, have been used in the preparation of the consolidated annual accounts of the Group for 2015:

<u>I. Subsidiaries</u>

Subsidiaries are those entities over which the Bank has control. An entity controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To be considered a subsidiary, the following must occur:

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

b. Returns: An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or wholly positive and negative.

c. Link between power and returns: An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

The annual accounts of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all material balances and transactions between consolidated entities and between consolidated entities and the Bank are eliminated on consolidation.

On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognised at fair value at the date of acquisition. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognised as goodwill. Negative differences are charged to the income statement on the date of acquisition.

Third-party interests in the Group's equity are presented under "Minority interests" in the consolidated balance sheet and their share of the profit or loss for the year is presented under "Profit/(loss) attributable to minority interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year end.

II. Interests in joint ventures

"Joint ventures" are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities ("venturers") undertake a business activity which is subject to joint control so as to share the power to govern the financial and operating policies of an entity, or another business activity, in order to benefit from its operations. Therefore, any strategic financial or operating decision affecting the joint venture requires the unanimous consent of the venturers.

The financial statements of investees classified as joint ventures are proportionately consolidated with those of the Bank and, therefore, the aggregation of balances and subsequent eliminations are carried out only in proportion to the Group's ownership interest in the capital of these entities.

III. Associates

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

In the consolidated annual accounts, investments in associates are accounted for using the equity method, i.e. reflecting the Group's share of the investee's net assets, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits or losses are eliminated to the extent of the Group's interest in the associate.

Relevant information on subsidiaries and associates is shown in Appendix II.

On 26 September 2014 the Bank acquired a 100% interest in the company Espiga Asesoramiento Sociedad Limitada, subsequently transferring 100% of this investment for an amount of Euros 3 thousand on 7 May 2015.

Comparative information

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2015 also include, for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of total changes in equity, consolidated statement of cash flows and the notes thereto, comparative figures for the previous year.

The entry into force of IFRIC 21 Levies in 2014 has entailed a change in accounting policy for the Bank with respect to contributions to the Deposit Guarantee Fund and similar levies. Pursuant to the International Accounting Standard on changes in accounting policies (IAS 8), IFRIC 21 has been applied retrospectively and certain comparative data for prior years have been restated. The consolidated statement of total changes in equity for 2014 reflects the impact on equity at the beginning of the year of the retrospective application of this standard, which gave rise to a Euros 266 thousand reduction in equity at 1 January 2014.

As stated in the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 on disclosures in the notes to consolidated annual accounts on average supplier payment periods in commercial transactions, in the first year of application of the resolution no comparative information need be included in relation to this new reporting obligation and the consolidated annual accounts are classified as opening accounts for this sole purpose with regard to application of the principle of uniformity and the comparability requirement.

f) Capital management objectives, policies and processes

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms entered into force on 1 January 2014, together with European Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and their prudential supervision. These two texts transpose into European regulations the new capital adequacy standards known as BIS III, regulating solvency levels and the composition of the eligible capital that credit institutions must hold.

The new regulations impose more stringent capital adequacy requirements and, to prevent this reinforcement of solvency from having an excessively large impact on the real economy, the entry into force of certain aspects of the regulations will be phased in over several years. This transitory implementation phase mainly affects the definition of eligible capital, including any potential deductions, as well as the creation of capital buffers in excess of the minimum regulatory levels.

Banco de España published Circular 2/2014 of 31 January 2014 on various regulatory alternatives provided for in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions, which was subsequently amended by Banco de España Circular 3/2014 of 30 July 2014. The Circular aims to establish which of the Regulation's alternatives available to national authorities must be complied with by consolidable groups of credit institutions and Spanish credit institutions immediately following the entry into force of the new solvency regulatory framework and their scope of application.

In addition, Law 10/2014 of 26 June 2014 on the organisation, supervision and solvency of credit institutions was published in 2014 with the main aim of adapting Spanish legislation to regulatory changes at EU and international level, continuing the transposition initiated in Royal Decree 14/2013 of 29 November 2013. This legislation combines the main organisational and disciplinary regulations for credit institutions in a single text.

Royal Decree 84/2015 of 13 February 2015, developing Law 10/2014, was published in 2015. It aims not only to complete the regulatory development of the aforementioned Law but also to combine in a single text all regulations pertaining to organisational and disciplinary regulations for credit institutions. To this end, the provisions regarding credit institutions contained in Royal Decree 216/2008 of 15 February 2008 on capital of financial institutions, which should continue to apply following the entry into force of Regulation (EU) No. 575/2013 and the provisions of Royal Decree 1245/1995 of 14 July 1995 on the formation of banks, cross-border activity and other issues relating to the legal regime for credit institutions, have been combined in a single text.

Banco de España Circular 2/2016 of 2 February 2016 on supervision and solvency was published on 9 February 2016 and completes the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No. 575/2013, with respect to the alternatives not addressed in Banco de España Circulars 2/2014 and 3/2014. Circular 2/2016 develops certain aspects of the transposition of Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 as regards additional supervision by the competent authority, which may be the European Central Bank or Banco de España depending on the assignment and distribution of competencies established in Regulation (EU) No. 1024/2013, which is completed by Regulation (EU) No. 468/2014 of 16 April 2014 of the European Central Bank.

All of the above constitute the legislation which regulates the minimum capital requirements of Spanish credit institutions, how such capital should be determined, the different capital self-assessment processes to be implemented by the institutions and the public information these institutions should submit to the market.

The capital management principle established by the Bank's board of directors consists of operating at a level of solvency above that stipulated in the applicable regulations, and which is appropriate to the risks inherent in its business and the environment in which it operates. The objective is to maximise capital management efficiency so that capital consumption can be considered, alongside other return and risk variables, as a fundamental parameter in analyses associated with the Group's investment decisions.

The Group has implemented a number of capital management policies and processes to meet this objective, with the following main characteristics:

- The board of directors and senior management take an active role in the strategies and policies that affect the Group's capital management. The objective is to maintain robust solvency ratios of an appropriate quality that are consistent with the Group's risk profile and business model.

- The Group has a comprehensive risk management unit that monitors and controls solvency ratios to guarantee compliance with applicable legislation and the consistency of decisions made by the different areas and units of the Bank with the objectives set, to ensure that minimum capital requirements are met. Contingency plans are in place to ensure compliance with the limits stipulated in the applicable legislation.

- The impact of these units on the Group's eligible capital base and the return-risk ratio are considered a key decision-making factor in the Group's strategic and commercial planning and in the analysis and monitoring of Group transactions.

- Pursuant to the provisions of the solvency regulations, the Group has a capital self-assessment process in place. This process comprises a set of solid, comprehensive strategies and procedures that enable the Group to continuously assess and maintain the amounts, types and allocation of capital to cover all the risks to which it is or may be exposed, according to their nature and level.

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

This process ensures an adequate relationship between the risk profile of the entities making up the Group and the capital they effectively hold, both in absolute terms and in terms of its composition and distribution among the various legally separate entities.

The minimum solvency ratio under the new regulations is calculated as the quotient of the eligible capital maintained by the Group and its risk-weighted assets. The definition of eligible capital has been made more stringent under the new regulations, essentially because new capital deductions have been added, and because certain instruments cease to be considered as capital since they do not meet the new criteria for absorbing losses.

Higher quality capital instruments are known as CET1 (Common Equity Tier 1) and essentially comprise capital and reserves, from which several items are deducted, including intangible assets and a specific amount from investments in financial sector entities as well as deferred tax assets contingent on future profits.

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

Last comes T2 (Tier 2 capital), whose elements consist of instruments that absorb losses, ranking behind those eligible as Tier 1 capital but subordinate to common creditors, as well as provision surpluses eligible as Tier 2 capital under Regulation (EU) No. 575/2013.

Greater details of the characteristics of these instruments, including their capacity for absorbing losses, availability, permanence and order of preference in the event of liquidation, are set out in the Information of Prudential Relevance report, which is available on the Bank's corporate website. This report also contains a reconciliation of book equity and eligible capital.

Risk-weighted assets are determined according to the Group's exposure to credit and dilution risk (based on the assets, commitments and other off-balance sheet items associated with these risks, and in line with their amounts, characteristics, counterparties, guarantees, etc.), counterparty, position and settlement risk relating to items held for trading, exchange rate and gold position risk (based on the global net position in foreign currency and the net position in gold) and operational risk.

In addition, the Regulation establishes limits for risk concentration and certain compulsory aspects relating to the Bank's corporate governance. It also includes two new ratios concerning the Entity's liquidity and a leverage ratio. The Liquidity Coverage Ratio (LCR) is intended for measuring the Bank's short-term liquidity and will be introduced in 2015, whilst the Net Stable Funding Ratio (NSFR), which measures its level of stable funding in the medium term, is still in the process of being calibrated. The leverage ratio is aimed at limiting excessive leverage and ensuring that institutions hold assets that are proportionate with their capital level to try to avoid traumatic deleveraging during recessions. This ratio is also at the calibration stage, although banks will be obliged to publish it from 2015 onwards.

Banco de España (BdE) announced its decision regarding prudential capital requirements applicable to the Bank following the Supervisory Review and Evaluation Process (SREP). This decision requires the Group to maintain a phased-in common equity tier 1 (CET1) capital ratio of 9.50% at consolidated level.

Consolidated capital at 31 December 2015 and 2014 and the related capital ratios are shown in the following table:

	Thousands of Euros	
	2015	**2014**
Capital	99,036	91,009
Reserves	285,304	246,969
Deductions	(1,410)	(1,572)
Common Equity Tier 1 (CET1) capital	**382,930**	**336,406**
Additional CET1 elements	--	--
Tier 1 Capital	**382,930**	**336,406**
Collective provision	11,214	11,956
Other elements	--	--
Tier 2 Capital	**11,214**	**11,956**
Total eligible capital	**394,144**	**348,362**
For credit, counterparty, dilution and delivery risk	99,125	133,639
For price, currency and commodity position risk	18,354	19,385
Operational risk and other	32,792	14,422
Total minimum capital requirement	**150,271**	**167,446**
Surplus	**243,873**	**180,916**
Capital ratio (%)	**21.0**	**16.6**
Tier 1 capital (%)	**20.4**	**16.1**

Consequently, at 31 December 2015 and 2014, and during both years, the eligible capital of the Group and Group entities subject to this requirement, considered on an individual basis, exceeded the requirements of the aforementioned Circular.

g) *Credit Institution Deposit Guarantee Fund, National Resolution Fund and Single Resolution Fund*

Deposit Guarantee Fund for Credit Institutions

The Bank contributes to the Deposit Guarantee Fund for Credit Institutions (hereinafter DGFCI). In 2015 and 2014 the expense incurred for ordinary, additional and extraordinary contributions to this fund amounted to Euros 92 thousand and Euros 200 thousand, respectively, and was recognised under "Other operating expenses" in the accompanying consolidated income statement.

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

On 2 December 2015, pursuant to Article 3.2 of Royal Decree 2606/1996 of 20 December 1996 on deposit guarantee funds for credit institutions, amended by Royal Decree 1012/2015 of 6 November 2015, the Management Committee of the DGFCI stipulated an annual contribution for institutions participating in the Fund of 1.6 per mil of the calculation basis of the contributions to the deposit guarantee sub-fund of the DGFCI at 31 December 2015 (2 per mil of contributions to the securities guarantee sub-fund).

The calculation bases for the amounts to be contributed by the institutions to each sub-fund are as follows:

- In the case of contributions to the deposit guarantee sub-fund, the deposits covered by the guarantee as defined in Article 4.1 of Royal Decree 2606/1996.

- In the case of contributions to the securities guarantee sub-fund, 5% of the list price on the corresponding secondary market on the last trading day of the year of the securities covered by the guarantee and held at the end of the year, as defined in Article 4.2. When these include securities and financial instruments not traded on secondary markets, either in Spain or abroad, the calculation basis will be their par value or redemption value, whichever is more appropriate for the type of financial instrument, unless a more relevant value is known or published for the purposes of its deposit or recognition.

National Resolution Fund

As part of the process for the creation of an internal banking services market in the European Union, Directive 2014/59/EU has established a centralised supervision framework, the first stage of which was the creation of the Single Supervisory Mechanism through Council Regulation (EU) No. 1024/2013 (hereinafter SSM), which aims to ensure that the EU's policies on the prudential supervision of credit institutions are applied consistently and efficiently, to promote the uniform application of the single rulebook for financial services to credit institutions in Eurozone member states and non-Eurozone member states that choose to adhere to the SSM and to ensure that these credit institutions are subject to the highest level of supervision.

As part of this integration process of the supervision and resolution of credit institutions, Regulation (EU) No. 806/2014 of the European Parliament and of the Council establishes a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM), which strengthens the image of solvency of these types of institutions at European level.

The fundamental instrument for the proper functioning of the SRM is the Single Resolution Fund (hereinafter SRF), which was created through Regulation (EU) No. 806/2014. This fund was initially set up using annual ex-ante contributions from the institutions subject to the supervisory framework of the SSM.

Delegated Regulation (EU) 2015/63 developed a uniform methodology for calculating contributions to the SRF. These contributions are annual and the amounts to be contributed are determined by the competent resolution authority in each member state based on the institution's size and risk profile.

All of the aforementioned EU legislation has been transposed to Spanish Law through Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment firms. Among other matters, this Law appoints the Spanish Fund for Orderly Bank Restructuring (hereinafter the FROB) as the competent resolution authority in Spain. The FROB is therefore the entity in charge of calculating and collecting contributions to the SRF from Spanish credit institutions and certain investment firms subject to the aforementioned legislation, through the National Resolution Fund (hereinafter NRF).

During 2015, the Group recognised an expense of Euros 8,826 thousand under "Other operating expenses" in the accompanying consolidated income statement in respect of contributions for the 2015 contribution period.

On 21 September, 14 October, 10 November and 24 November 2015, the Bank sent a request to the FROB for it to consider the specific aspects of the relationship between the Bank and rural savings banks with a view to these being included in the regulations, thereby solving the problem foreseen with respect to the calculation of ex-ante contributions; or for the FROB, when calculating these contributions, to consider eliminating any liabilities arising from operations between the Bank and rural savings banks and to take into account the low risk profile of the Entity and its low probability of being subject to resolution, for the purposes of applying the risk-based adjustment to the annual contribution.

The FROB denied the Bank's requests, thereby requiring it to include the liabilities between the Bank and the rural savings banks, which have been reported for the purposes of calculating contributions to the NRF.

On 29 January 2016 the Bank filed an appeal for judicial review against the resolution of 21 January 2016 and, by extension, against the agreement of 26 November 2015, both issued by the Governing Committee of the FROB, regarding the 2015 ex-ante contributions to the NRF. This appeal remained unresolved at the date of these annual accounts.

Single Resolution Fund

Article 67 of Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 provides for the creation of the Single Resolution Fund as a key component of the Single Resolution Mechanism (SRM), initiated in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014.

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

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

The first ex-ante contributions to the Single Resolution Fund to be made by institutions are those for the 2016 contribution period.

h) Minimum reserves

The amendment to the regulations applicable to minimum reserves came into force in January 2012, increasing the ratio from 1% to 2%.

At 31 December 2015, as well as throughout 2015, the Group complied with the minimum reserves stipulated in applicable Spanish legislation, based on Regulation (EC) No 1745/2003 of 12 September 2003.

i) Environmental impact

In view of the business activity carried out by the Group, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or consolidated results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

j) Subsequent events

Notwithstanding the comments in these notes to the consolidated annual accounts, no significant events which should be included in the consolidated annual accounts in order to present fairly the consolidated equity, consolidated financial position and consolidated results of the Group occurred subsequent to 31 December 2015 and prior to the date on which the consolidated annual accounts were authorised for issue by the board of directors of the Bank.

2. Significant Accounting Principles

The accounting principles and measurement criteria applied in preparing the Group's consolidated annual accounts are as follows:

a) Definitions and classification of financial instruments

I. Definitions

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

An "equity instrument" is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument the value of which fluctuates in response to changes in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price or market index), for which the initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

"Compound financial instruments" are contracts that simultaneously create for their issuer a financial liability and an own equity instrument (such as convertible bonds, which entitle their holders to convert them into equity instruments of the issuer).

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in associates (see note 10)

- Rights and obligations under employee benefit plans (see note 2 n)

- Rights and obligations under insurance contracts

II. Recognition and classification of financial assets for measurement purposes

Financial assets are initially recognised at fair value, which is taken to be the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Subsequent to initial recognition, financial assets are included for measurement purposes in one of the following categories:

- Financial assets at fair value through profit and loss

    - Financial assets held for trading comprise financial assets acquired for the purpose of generating a profit in the short term from fluctuations in their prices, and financial derivatives that are not designated as hedging instruments.

    - Other financial assets at fair value through profit and loss comprise financial assets designated as such on initial recognition for which the fair value can be reliably estimated and which meet at least one of the following conditions:

        - When, in the case of hybrid financial instruments for which the embedded derivative must be separated from the host contract, it is not possible to reliably estimate the fair value of the embedded derivative or derivatives.

        - In the case of hybrid financial instruments for which the embedded derivative must be separated, the hybrid financial instrument as a whole has been classified in this category on initial recognition, provided they met the conditions specified in prevailing accounting standards whereby the embedded derivative significantly changes the cash flows that would have been associated with the host financial instrument had it been considered separately from the embedded derivative, and whereby the embedded derivative must be separated from the host financial instrument for accounting purposes.

        - When more relevant information is obtained through classification of a financial asset in this category, as such classification eliminates or significantly reduces recognition or measurement inconsistencies (also known as accounting mismatches) that would otherwise arise from using different criteria to measure assets and liabilities or recognise the gains and losses thereon.

        - When more relevant information is obtained through classification of a financial asset in this category, as a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Group’s key management personnel.

- Held-to-maturity investments.

  This category includes debt securities traded on organised markets with fixed maturity and fixed or determinable cash flows, which the Group has the positive intention and ability to hold to maturity.

- Loans and receivables.

  This category consists of unquoted debt instruments, financing granted to third parties in connection with ordinary lending activities carried out by the consolidated entities, and receivables from purchasers of goods and users of services. This category also includes finance leases in which the consolidated entities act as lessors.

- Available-for-sale financial assets.

  This category includes Group debt instruments not classified as held-to-maturity investments, loans and receivables, or at fair value through profit and loss, as well as Group equity instruments related to entities which are not subsidiaries, joint ventures or associates and which have not been classified at fair value through profit and loss.

III. Recognition and classification of financial liabilities for measurement purposes

Financial liabilities are initially recognised at fair value.

Subsequent to initial recognition, financial liabilities are classified for measurement purposes into one of the following categories:

- Financial liabilities at fair value through profit and loss

    - Financial liabilities held for trading comprise financial liabilities issued with the intention to repurchase them in the near future or which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; short positions deriving from the sale of assets purchased under obligatory resale agreements or borrowed and derivatives not designated as hedging instruments, including separated hybrid financial instruments, pursuant to IAS 39.

    - Other financial liabilities at fair value through profit and loss comprise financial liabilities designated as such on initial recognition, the fair value of which can be reliably estimated, and which meet any of the following conditions:

        - When, in the case of hybrid financial instruments for which the embedded derivative must be separated from the host contract, it is not possible to reliably estimate the fair value of the embedded derivative or derivatives.

        - In the case of hybrid financial instruments for which the embedded derivative must be separated, the hybrid financial instrument as a whole has been classified in this category on initial recognition, provided they met the conditions specified in prevailing accounting standards whereby the embedded derivative significantly changes the cash flows that would have been associated with the host financial instrument had it been considered separately from the embedded derivative, and whereby the embedded derivative must be separated from the host financial instrument for accounting purposes.

        - When more relevant information is obtained through classification of a financial liability in this category, as such classification eliminates or significantly reduces recognition or measurement inconsistencies (also known as accounting mismatches), that would otherwise arise from using different criteria to measure assets or liabilities or recognise gains or losses thereon.

- When more relevant information is obtained through classification of a financial liability under this category, as a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Group's key management personnel.

- Financial liabilities at amortised cost

Financial liabilities not included in any of the above categories which arise from the ordinary deposit-taking activities carried out by financial institutions, irrespective of their nature and maturity.

IV. Reclassifications between financial instrument portfolios

Financial instruments are only reclassified between portfolios in the following cases:

- Items classified as financial instruments at fair value through profit or loss can only be reclassified into or out of this financial instrument category after they are acquired, issued or assumed in the event of the exceptional circumstances described in section d) of this note.

- If a financial asset ceases to be classified as held to maturity due to a change in intention or financial ability, it is reclassified to "Available-for-sale financial assets". In this case, all financial assets classified as held to maturity are treated similarly, except where reclassification falls within one of the scenarios permitted by applicable legislation (sales close to maturity or when practically the entire principal of the financial asset has been collected, etc.).

In 2015 and 2014 no items have been reclassified as described in the preceding paragraph.

- Financial assets (debt instruments) classified as available-for-sale financial assets can be reclassified to held to maturity due to a change in intention or financial ability of the Group, or upon expiry of the two-year penalty period established under prevailing legislation for the sale of financial assets held to maturity. In this case, the fair value of these instruments at the transfer date is considered as the new amortised cost and the difference between this amount and the recoverable amount is recognised in the consolidated income statement over the residual life of the instrument using the effective interest method.

In 2015 and 2014 no items have been reclassified as described in the preceding paragraph.

- As mentioned in preceding sections, financial assets that are not derivative financial instruments can be reclassified from held for trading if they are no longer held for the purpose of being sold or repurchased in the near term, provided that one of the following circumstances arise:

    - In rare and exceptional circumstances, except in the case of assets eligible for classification as loans and receivables. Rare and exceptional circumstances are those arising from a particular event which is unusual, and which is highly unlikely to reoccur in the foreseeable future.

    - When the entity has the intention and financial ability to hold the financial asset in the foreseeable future or to maturity, provided that it meets the definition of loans and receivables on initial recognition.

Should these circumstances arise, the asset is reclassified at its fair value at the reclassification date, with no reversal of results, and this value is considered as the asset's amortised cost. Assets reclassified in this way may not be further reclassified as "held for trading".

b) Measurement and recognition of financial assets and liabilities

In general, financial instruments are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be their acquisition cost, and are subsequently measured at each year end as follows:

I. Measurement of financial assets

Financial assets are measured at fair value, without deducting any transaction costs that may be incurred on their sale or other form of disposal, except for loans and receivables, held-to-maturity investments, equity instruments for which the fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those equity instruments as their underlying asset and are settled by delivery of those instruments.

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

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, based on proven valuation techniques used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it. However, the inherent limitations of the valuation techniques used and the possible inaccuracies of the assumptions made under these techniques may result in a fair value of a financial instrument which does not exactly reconcile with the price at which the instrument could be bought or sold at the measurement date.

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method. Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the cumulative amortisation (as reflected in the consolidated income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost also includes any reductions for impairment. In the case of loans and receivables hedged in fair value hedges, the changes in the fair value of the assets related to the risk or risks being hedged are recognised.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to its estimated cash flows during its estimated life, based on the contractual terms, without taking into account future losses on credit exposure. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees that can be equated with a rate of interest, in light of their nature. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing until the date on which the reference interest rate will be revised.

Equity instruments of other entities whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, for any related impairment loss.

II. Measurement of financial liabilities

In general, financial liabilities are measured at amortised cost, as defined above, except for those included under financial liabilities at fair value through profit or loss, which are measured at fair value.

III. Measurement techniques

General measurement bases

A summary of the various techniques used by the Group to measure the financial instruments included in the financial assets held for trading, available-for-sale financial assets, and financial liabilities held for trading categories at 31 December 2015 and 2014 is as follows:

	%			
	2015		**2014**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Quoted price in active markets	84.7	31.2	90.6	0.3
Internal measurement models	15.3	68.8	9.4	99.7
	100.0	**100.0**	**100.0**	**100.0**

The main techniques used in the internal measurement models are as follows:

- The present value method is used to measure financial instruments which enable static hedging (mainly forwards and swaps).

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

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

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

Credit Valuation Adjustments (hereinafter “CVA”) and Debit Valuation Adjustments (hereinafter “DVA”) are included in the measurement of both asset and liability derivative products to reflect the impact on fair value of counterparty credit risk and the Group's own risk, respectively.

The adjustments to be performed are calculated by estimating exposure at default, the probability of default and loss given default for all derivative products with any underlying, by legal entity (i.e. all counterparties under the same ISDA/CMOF contract) to which the Bank is exposed.

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

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

The Bank's directors consider that financial assets and financial liabilities in the consolidated balance sheet and gains and losses on these financial instruments are reasonable and reflect their market value (see note 23).

IV. Recognition of changes in fair value

As a general rule, changes in the fair value of financial instruments are recognised in the consolidated income statement, distinguishing those arising from the accrual of interest or dividends, which are recognised under “Interest and similar income”, “Interest expense and similar charges” and “Dividend income”, as appropriate, from those arising on impairment of an asset’s credit rating or for other reasons, which are recognised at their net amount under “Gains/losses on financial assets and liabilities” in the accompanying consolidated income statement.

Adjustments due to changes in fair value arising from available-for-sale financial assets are recognised temporarily under “Valuation adjustments” in consolidated equity, unless they relate to exchange differences on monetary financial assets, in which case they are recognised in the consolidated income statement. Items debited or credited to “Valuation adjustments” remain in the Group’s consolidated equity until the asset giving rise to them is removed from the consolidated balance sheet, or when it is considered that the asset is impaired, at which time they are recognised in the consolidated income statement.

V. Hedging transactions

The Group measures and recognises individual hedges (which are designated to hedge a specifically identified risk) depending on their classification, based on the following criteria:

- Fair value hedges: hedge of the exposure to changes in fair value. The gains or losses attributable to both the hedging instrument and the hedged item are recognised directly in the consolidated income statement.

- Cash flow hedges: hedge of the exposure to variations in cash flows that is attributable to a particular risk associated with an asset or liability or a forecast transaction. The gain or loss attributable to the portion of the hedging instrument that qualifies as an effective hedge is recognised temporarily under "Valuation adjustments" in consolidated equity at the lower of the cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in the present value of expected future cash flows of the hedged item from the inception of the hedge.

  The cumulative gains or losses on each hedge are taken to the consolidated income statement in the periods in which the hedged items affect the income statement, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or liability, in which case the gains or losses are included in the cost of that asset or liability.

- Hedge of a net investment in a foreign operation: hedge of the foreign currency risk on an investment in subsidiaries, associates, joint ventures and branches of the Entity whose activities are based or conducted in a country or functional currency other than that of the reporting Entity. Gains or losses attributable to the portion of the hedging instrument that qualifies as an effective hedge are recognised directly in "Valuation adjustments" under consolidated equity until the instruments are disposed of or derecognised, at which time they are recognised in the consolidated income statement. The rest of the gain or loss is recognised directly in the consolidated income statement.

Derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, provided that the host contracts are not classified as other financial assets/liabilities at fair value through profit or loss or as financial assets/liabilities held for trading.

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as trading derivatives.

c) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

I. When substantially all the risks and rewards are transferred to third parties, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised separately.

II. When substantially all the rights and rewards associated with the transferred financial asset are retained, the transferred financial asset is not derecognised and continues to be measured by the same criteria used before the transfer. However:

    - An associated financial liability is recognised for an amount equal to the consideration received. This liability is subsequently measured at amortised cost.

    - The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability are recognised in the consolidated income statement.

III. When substantially all the risks and rewards associated with the transferred financial asset are neither transferred nor retained, the following distinction must be made:

    - If the transferor does not retain control, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised separately.

    - If the transferor retains control, it continues to recognise the transferred financial asset for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

d) *Impairment of financial assets*

I. Definition

The carrying amounts of financial assets are generally adjusted with a charge to the income statement when there is objective evidence that an impairment loss has occurred, i.e.:

- In the case of debt instruments, understood to be loans and debt securities, when, after their initial recognition, a single event or the combined effect of several events causes a negative impact on their future cash flows.

- In the case of equity instruments, when, as a result of an event or the combined effect of several events after initial recognition, their carrying amount will not be able to be recovered.

Write-downs of the carrying amount of financial instruments due to impairment are generally recognised with a charge to the income statement for the period in which the impairment arises, while reversals of any previously recognised impairment losses are accounted for in the income statement for the period in which the impairment loss is reversed or reduced. Impairment losses are eliminated from the balance sheet when the possibility of their recovery is considered remote, without prejudice to any initiatives of the Bank to recover such amounts before the collection right expires due to the collection period elapsing, pardoning of the receivable or for other reasons.

II. Debt instruments measured at amortised cost

In the case of debt instruments carried at amortised cost, the amount of the impairment loss is equal to the negative difference between its carrying amount and the present value of its estimated future cash flows. For quoted instruments, instead of the present value of future cash flows, market value may be used provided that it is sufficiently reliable to consider it as representative of the amount that would be recovered by the Bank.

The estimated future cash flows of a debt instrument are all the principal and interest amounts that the Bank considers will flow to it over the life of the instrument. This estimate takes into account all relevant information available on the date when the financial statements are prepared about the likelihood of collecting the contractual cash flows in the future. The future cash flows of a collateralised instrument are estimated by taking into account the flows that would result from foreclosure less costs for obtaining and subsequently selling the collateral, whether or not foreclosure is probable.

The discount rate used to calculate the present value of the estimated future cash flows is the instrument's original effective interest rate, if its contractual rate is fixed, or the effective interest rate at the reporting date determined under the contract, if it is variable.

Objective evidence of impairment is determined individually for all debt instruments that are individually significant, and individually or collectively for debt instruments that are not individually significant. When a specific instrument cannot be included in any group of assets with similar credit risk characteristics, it is analysed solely on an individual basis to determine whether it is impaired and, if so, to estimate impairment loss. Impairment is therefore broken down as follows, depending on how it is calculated:

1) Specific impairment allowances for financial assets, determined individually: the cumulative amount of allowances recorded to cover doubtful assets, estimated individually.

2) Specific impairment allowances for financial assets, determined collectively: the cumulative amount of collective impairment calculated for debt instruments of immaterial amounts classified as doubtful, for which impairment has been determined individually, and for which the Bank uses a statistical method; i.e. it calculates the specific allowance applying percentages for collective allowances based on the age of the past-due amounts.

3) Collective impairment allowances for losses incurred but not reported: the cumulative amount of collective impairment for debt instruments that have not been impaired individually.

Collective assessment of a group of financial assets to estimate impairment losses is carried out as follows:

- Debt instruments are included in groups with similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due, both principal and interest, according to the contractual terms. The credit risk characteristics to be taken into account for grouping assets are, among others: instrument type, debtor's industry, geographical location, type of guarantee or collateral, age of past-due amounts and any other factor relevant to the estimation of future cash flows.

- The future cash flows from each group of debt instruments are estimated for instruments with similar credit risk characteristics to those in the respective group, after making the necessary adjustments to adapt the historical data to current market conditions.

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

The Banco de España determines the parameters, methods and amounts to be used to cover the inherent impairment losses incurred but not reported on debt instruments and contingent exposures classified as standard.

The Bank applies the criteria set forth in Banco de España Circular 4/2004 when calculating impairment of its loan portfolio, and therefore complies with the criteria set forth in International Accounting Standard (IAS) 39 for financial instruments and in IAS 37 for financial guarantees and irrevocable loan commitments. The Bank has also performed an analysis to ensure that these requirements are appropriate for the actual circumstances, using internal data to confirm this.

The calculation method, as laid down in Annex IX to Banco de España Circular 4/2004, is divided into two stages.

In the first stage, balances are distributed amongst the six risk categories defined in the Circular. These are: negligible risk, low risk, medium-low risk, medium risk, medium-high risk and high risk. The impairment charge is the sum of:

- the products of the change during the period in the amount of each risk class and the related regulatory α parameter, plus

- the sum of the products of the total amount of the transactions included in each risk class at the end of the period and the related regulatory β parameter, less

- the amount of the overall net impairment charges for the relevant specific allowances or provisions made in the period.

The overall balance of the general allowance or provision must not exceed 125% of the sum of the products obtained by multiplying the amount of each risk class by its related regulatory α parameter.

The regulatory α and β parameters for each risk class are as follows:

	α	β
Negligible risk	0%	0%
Low risk	0.6%	0.11%
Medium-low risk	1.5%	0.44%
Medium risk	1.8%	0.65%
Medium-high risk	2.0%	1.10%
High risk	2.5%	1.64%

Interest accrual on the basis of the contractual terms ceases to be recognised in the income statement for all debt instruments individually classified as impaired and for all those for which impairment losses have been collectively calculated because of amounts more than three months past-due.

<u>III. Debt or equity instruments classified as available for sale</u>

Impairment losses on these instruments are the difference between the acquisition cost of the instruments (net of any principal repayment in the case of debt instruments) and their fair value less any impairment loss previously recognised in the income statement.

The Bank tests relevant instruments for impairment on an individual basis. However, the Bank's accounting policies stipulate that, in any case, a prolonged or significant decline in the fair value of the instrument below cost constitutes objective evidence of impairment, and impairment must therefore be recognised for the difference between the cost and the fair value of the instrument in question. Specifically, in the case of quoted equity instruments, the accounting policy considers that a decline is prolonged when the fair value of the instrument has been below cost for more than 18 months, and that the decline is significant when it represents more than 40% of the cost.

When there is objective evidence that the losses arising on measurement of these instruments are due to impairment, they are no longer recognised in equity under “Valuation adjustments – Available-for-sale financial assets” and are recorded in the income statement. If all or part of the impairment losses are subsequently reversed, the reversed amount would be recognised in the income statement for the year in which the reversal occurred (under “Valuation adjustments – Available-for-sale financial assets” in the balance sheet in the case of equity instruments).

<u>IV. Equity instruments measured at cost</u>

The impairment loss on equity instruments measured at cost is the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognised in the income statement for the period in which they arise as a reduction in the cost of the instrument. These losses can only be reversed subsequently if the assets are sold.

e) Repurchase and resale agreements

Purchases of financial instruments with an obligatory resale commitment at a determined price are recognised as financing granted under "Loans and advances to credit institutions" or "Loans and advances to other debtors", as applicable. Sales of financial instruments with an obligatory repurchase commitment at a determined price are recognised as financing received under "Deposits from credit institutions" or "Deposits from other creditors", as applicable.

The difference between the purchase and sales price is recognised as interest over the life of the contract.

f) Tangible assets

Tangible assets for own use are measured at cost, revalued as permitted by specific legislation and the new accounting standards, less accumulated depreciation and any impairment losses.

Depreciation of tangible assets is provided on a straight-line basis over their estimated useful lives. The land on which the buildings and other structures stand is deemed to have an indefinite life and, therefore, is not depreciated.

Depreciation is recognised in the consolidated income statement and is calculated using the following rates (based on the average years of estimated useful life of the various assets):

	% annual	**Estimated useful life (years)**
Real estate	2	50
Furniture and fixtures	6-10	16.7-10
IT equipment	16-33	6.3-3

Depreciation methods and useful lives of each tangible asset are reviewed at least at the end of each financial year.

The cost of maintenance and repairs of tangible assets which do not improve the related assets or lengthen their useful lives are charged to the consolidated income statement when incurred.

g) Intangible assets

Intangible assets are identifiable non-monetary assets with no physical substance, arising as a result of a legal transaction or which have been developed internally by the consolidated entities. Only assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at cost of acquisition or production and are subsequently measured at cost less any accumulated amortisation and impairment losses.

h) Leases

I. Finance leases

Finance leases are leases that transfer to the lessee substantially all the risks and rewards incidental to ownership of the leased asset.

When the consolidated entities act as lessors of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value, which is generally the exercise price of the purchase option available to the lessee at the end of the lease term, is recognised as financing to third parties and is therefore included under “Loans and receivables” in the consolidated balance sheet.

When the consolidated entities act as lessees, they recognise the cost of the leased assets in the consolidated balance sheet according to the nature of the asset that is the subject matter of the contract, and simultaneously recognise a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments to be made to the lessor, plus the exercise price of the purchase option, where applicable). The depreciation policy for these assets is consistent with that for tangible assets for own use.

In both cases, the finance income and finance expense arising from these contracts is credited or debited, respectively, to the consolidated income statement so as to achieve a constant rate of return over the life of the lease contracts.

II. Operating leases

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

When the consolidated entities act as lessors, they recognise the acquisition cost of the leased assets under "Tangible assets" in the consolidated balance sheet. The depreciation policy for these assets is consistent with that for similar tangible assets for own use and income from operating leases is recognised in the consolidated income statement on a straight-line basis.

When the consolidated entities act as lessees, lease expenses, including any incentives granted by the lessor, are charged to the consolidated income statement on a straight-line basis.

i) Financial guarantees and related provisions made

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

In accordance with EU-IFRS and as a general rule, the Group considers contracts for financial guarantees extended to third parties as financial instruments within the scope of IAS 39 and 37.

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

- The amount determined in accordance with IAS 37, whereby financial guarantees, irrespective of the holder, arrangement or any other circumstances, are analysed periodically to determine the credit risk to which they are exposed and, where applicable, to estimate the provisions required. This amount is calculated applying criteria similar to those used to quantify impairment losses arising on debt instruments measured at amortised cost.

- The amount at which these instruments are initially recognised, less amortisation which, as established by IAS 18, is calculated on a straight-line basis over the term of these contracts.

Provisions made for these instruments, are recorded under "Provisions – Provisions for contingent exposures and commitments" in the consolidated balance sheet. Allowances and reversals of these provisions are recognised with a balancing entry under the income statement caption "Provisioning expense (net)".

In the event that provisions are required for these financial guarantees, based on the above, unaccrued commissions on these operations, which are recognised under "Financial liabilities at amortised cost – Other financial liabilities", are reclassified to the corresponding provision.

j) Foreign currency transactions

I. Functional currency

The Group's functional currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the Euro are deemed to be denominated in foreign currency.

II. Translation of foreign currency balances

Foreign currency balances are translated as follows:

- Monetary assets and liabilities, at the average exchange rate prevailing on the Spanish spot foreign exchange market at year-end.

- Income and expenses, at the exchange rate on the transaction date.

III. Recognition of exchange differences

Exchange differences arising on the translation of foreign currency balances are recognised in the consolidated income statement (see notes 29 and 35-5).

k) Equity instruments

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

- They do not include any type of obligation that requires the issuing entity to:

    - deliver cash or any other financial asset to a third party; or

    - exchange financial assets or financial liabilities with a third party under conditions that are potentially unfavourable to the Entity.

- If they may or will be settled in the issuing entity's own equity instruments:

    - in the case of a non-derivative financial instrument, the Entity is not obliged to deliver a variable number of its own equity instruments; or

    - in the case of a derivative, it must be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Entity's own equity instruments.

A financial instrument that will or may result in the future receipt or delivery of the issuer's own equity instruments, but does not meet the conditions described in the two preceding paragraphs, is not an equity instrument.

Business carried out with own equity instruments, including issuance and redemption, is recognised directly in equity of the Entity. No profit or loss on own equity instruments can be recognised. Costs of transactions with own equity instruments are deducted directly from equity, after deduction of any associated tax effect.

Changes in value of instruments classified as own equity are not recognised in the financial statements. Consideration received or conveyed in exchange for these instruments is added to or deducted directly from equity of the Entity.

l) Recognition of income and expense

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

<u>I. Interest income, interest expenses and similar items</u>

As a general rule, interest income, interest expenses and similar items are recognised on the basis of their period of accrual using the effective interest method. Dividends received from other companies are recognised as income when the consolidated entities' right to receive them arises.

<u>II. Commissions, fees and similar items</u>

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

- Those relating to financial assets and financial liabilities at fair value through profit or loss, which are recognised when collected.

- Those arising from transactions or services that are provided over a period of time, which are deferred over the life of these transactions or services.

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

<u>III. Non-finance income and expenses</u>

These items are recognised for accounting purposes on an accruals basis.

m) Assets under management

Assets owned by third parties and managed by the consolidated entities are not disclosed in the consolidated balance sheet. Management fees are included in "Fee and commission income" in the consolidated income statement (see note 27). The details of third-party assets managed by the Group at 31 December 2015 and 2014 are disclosed in note 22.

n) Post-employment benefits

The Group recognises the present value of defined benefit pension commitments, net, as explained below, of the fair value of any assets considered to constitute pension plan or "past service cost" assets, the recognition of which is deferred, as explained below, in "Provisions – Pension fund and similar obligations" under liabilities on the consolidated balance sheet (or under assets in "Other assets - Other", depending on whether the difference is negative or positive and subject to compliance with the criteria for recognition set out in Banco de España Circular 5/2013).

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

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

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

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

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

- Current service costs, defined as the increase in the present value of the obligations resulting from employee service in the current period, are recorded under "Administrative expenses - Personnel expenses".

- Interest costs, defined as the increase during the year in the present value of the obligations as a result of the passage of time, are recognised under "Interest expense and similar charges". When the obligations are presented in liabilities net of the plan assets, the cost of the liabilities recognised in the income statement relates solely to the obligations recognised under liabilities.

- The expected return on plan assets and gains or losses on the value of the plan assets, less any plan administration costs and any applicable taxes, is recorded under "Interest and similar income".

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

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

Details of the present value of the Group's post-employment benefit obligations at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Present value of obligations	1,198	1,152
Fair value of plan assets	1,400	1,378
Positive difference	**202**	**226**

The amount of the obligations was determined by independent actuaries using the following actuarial techniques:

1. *Valuation method:* Projected unit credit method, which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

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

	2015	**2014**
Technical interest rate	1.8%	1.70%
Mortality tables	PERM/F 2000P	PERM/F 2000P
Cumulative annual CPI growth	1.5%	1.50%
Annual salary increase rate	2.5%	2.5%
Annual Social Security pension increase rate	1.8%	1.5%

In 2014 the Group implemented a defined contribution supplementary benefits scheme through a pension plan arranged with the insurance firm Seguros Generales Rural, S.A. de Seguros y Reaseguros, as stipulated in article 36.7 of the 22nd collective bargaining agreement for the banking sector. This scheme is addressed to employees hired as of 8 March 1980 and who have accumulated at least two years' service. The minimum annual contribution is Euros 300, with profit-sharing rights in favour of the employee should he or she leave the Bank for reasons other than retirement.

o) Termination benefits

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

p) Income tax

The current income tax expense is recognised in the consolidated income statement, except when it results from a transaction recognised directly in consolidated equity, in which case the related income tax charge is also recognised in consolidated equity.

The current income tax expense is calculated as the tax payable with respect to the taxable profit for the year, adjusted for the amount of the changes in the year arising from temporary and permanent differences and from tax credits and tax loss carryforwards.

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

Deferred tax assets, tax credits and tax loss carryforwards are only recognised when it is probable that the consolidated entities will obtain sufficient future taxable profit against which they can be utilised.

Deferred tax assets and liabilities are quantified by applying the expected recovery or settlement tax rate to temporary differences or credits.

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

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

Income and expenses recognised directly in consolidated equity are accounted for as temporary differences.

q) Consolidated statement of cash flows

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

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

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

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

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

For the preparation of the consolidated statement of cash flows, “Cash and balances with central banks” have been considered as cash and cash equivalents.

r) Consolidated statement of recognised income and expense

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

This statement therefore comprises the following:

a) Consolidated profit for the year

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

c) Net income and expenses recognised permanently in consolidated equity.

d) Accrued income tax payable in respect of the items mentioned in points b) and c) above, except on valuation adjustments arising from interests in associates or jointly controlled entities accounted for using the equity method, which are disclosed as net balances.

e) Total consolidated recognised income and expense calculated as the sum of the preceding points, presenting the amounts attributable to the Parent and to minority interests separately.

Any type of income and expenses attributable to entities accounted for using the equity method recognised directly in equity is disclosed in this statement under “Entities accounted for using the equity method”.

Changes in income and expenses recognised in consolidated equity during the year, such as valuation adjustments, are disclosed as follows:

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

b) Amounts transferred to the income statement reflect revaluation gains or losses previously recognised in consolidated equity, even in the same year, which are accounted for in the consolidated income statement.

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

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

Amounts disclosed in these captions are gross and the associated tax effect is recognised in “Income tax”, except in the case of valuation adjustments of entities accounted for using the equity method, as mentioned previously.

s) Consolidated statement of total changes in equity

This consolidated statement of total changes in equity presents all changes, including those arising from changes in accounting principles and corrections of errors. This statement therefore shows a reconciliation of the opening and closing carrying amounts of all items comprising consolidated equity, grouping movements according to their nature, as follows:

a) Adjustments for changes in accounting principles and corrections of errors reflect changes in consolidated equity due to the retrospective restatement of balances in the financial statements as a result of changes in accounting principles or corrections of errors.

b) Consolidated income and expenses recognised during the year comprise the aggregate amount of the aforementioned items recognised in the consolidated statement of recognised income and expense.

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

3. Distribution of Profit and Earnings per Share

Distribution of profit

The board of directors will propose for approval by the shareholders at the annual general meeting that the Bank's net profit for 2015 be distributed as follows:

	Thousands of Euros
Net profit for 2015	35,387
Reserves	
Legal	1,605
Voluntary	33,782

The distribution of the Bank's net profit for 2014, approved by the shareholders at their annual general meeting held on 27 May 2015, was as follows:

	Thousands of Euros
Net profit for 2014	45,416
Distribution:	
Reserves	
Legal	--
Voluntary	45,416

Distribution of dividends

At their annual general meeting held on 3 December 2014, the Bank's shareholders decided to distribute an extraordinary dividend of Euros 12,000 thousand with a charge to voluntary reserves.

Earnings per share

Earnings per share are calculated by dividing the net profit attributable to the Group by the number of ordinary shares of the Bank outstanding during the year.

	2015	2014
Net profit attributable to the Group (thousands of Euros)	37,359	46,320
Number of shares outstanding (note 18)	1,647,851	1,514,297
Earnings per share (Euros)	22.67	30.59

4. Information on Directors and Senior Management

Remuneration of directors

Details of gross remuneration received by members of the Bank's board of directors for allowances in 2015 and 2014 are as follows:

	Miles de euros		
Consejeros	**2015**	**2014**	
Mr. José Luis García Palacios (President)	32	30	
Mr. José Luis García-Lomas Hernández (Vice-president 1º)	11	10	
Mr. Pedro García Romera (Vice-president 2º)	10	10	
Mr. Ignacio Arrieta del Valle (1)	12	13	
Mr. Nicanor Bascuñana Sanchez	10	10	
Mr. Luis Esteban Chalmovsky	10	9	
Mr. Carlos Martínez Izquierdo	10	10	
Mr. Carlos de la Sierra Torrijos	10	10	
Mr. Jose Antonio Alayeto Aguarón	5	10	Director since 16/07/2015
Mr. Dimas Rodríguez Rute (2)	12	12	
Mr. Cipriano García Rodríguez (3)	12	11	
Ms. Dagmar Werner	11	9	
Mr. José María Quirós Rodriguez	11	11	
Mr. Fernando Berge Royo	10	10	
Mr. Jesús Méndez Alvarez-Cedrón (4)	12	12	
Totales	**178**	**177**	

(1) A portion of the allowances received by Caja Rural de Navarra, SCC (Euros 7 thousand).
(2) Allowances received by Caja Rural de Granada, SCC
(3) Allowances received by Caja Rural de Zamora, SCC
(4) Allowances received by Caixa Rural Galega, SCC

Loans

The Group has extended no loans to the Bank's directors at 31 December 2015 or 2014.

Conflicts of interest concerning the directors.

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

Remuneration of senior management

For the purposes of preparing the accompanying consolidated annual accounts, senior management comprises the 13 members of the Bank's steering committee in 2015 and 2014, considered to be key management personnel within the Group.

Details are as follows:

	Short-term remuneration Thousands of Euros					
	Fixed		**Variable**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Senior management	1,794	1,774	525	535	2,319	2,309

Gender distribution of the board of directors

At 31 December 2015 the board of directors was formed by 13 male members and one female member. At 31 December 2014 was formed by 14 male members and one female member.

5. Cash and Balances with Central Banks

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Cash	844	802
Bank of Spain		
Current account	228,626	265,751
Valuation adjustments	15	18
Total	**229,485**	**266,571**

Amounts deposited in central banks at 31 December 2015 and 2014 earned interest at an average rate of 0.05% and 0.13%, respectively.

Details of residual maturity and the interest rate repricing matrix for the items recorded in this caption of the consolidated balance sheet are provided under Risk Management (see note 35).

6. Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category is provided under Risk Management in note 35, and certain information on the fair value of these assets is provided in note 23.

6.1 Financial assets and financial liabilities held for trading

Details of financial assets and financial liabilities held for trading by counterparty and type of instrument are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2015	**2014**	**2015**	**2014**
Counterparty				
Credit institutions	744,925	485,465	545,879	481,783
Resident general government	1,719,227	2,849,115	--	--
Other resident sectors	320,059	317,279	79,155	72,736
Other non-resident sectors	8,098	4,245	--	--
Total	**2,792,309**	**3,656,104**	**625,034**	**554,519**
Instrument				
Debt securities	2,294,463	3,091,107	--	--
Other equity instruments	--	297	--	--
Trading derivatives	497,846	564,700	430,012	553,017
Short positions	--	--	195,022	1,502
Total	**2,792,309**	**3,656,104**	**625,034**	**554,519**

Loaned or pledged securities amount to Euros 2,083,853 thousand at 31 December 2015 (Euros 1,574,286 thousand at 31 December 2014).

Trading portfolio. Debt securities

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Spanish government debt securities	1,719,227	2,849,115
Issued by credit institutions	452,738	210,471
Other Spanish fixed-income securities	114,400	27,573
Other non-resident fixed-income securities	8,098	3,948
Total	**2,294,463**	**3,091,107**

Debt securities held for trading earned interest at an average annual rate of 0.39% in 2015 (1.14% in 2014).

Trading portfolio. Other equity instruments

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Shares in foreign companies	--	297
Total	**--**	**297**

Trading portfolio. Trading derivatives

Details of the fair value of trading derivatives at 31 December 2015 and 2014, by type of instrument, are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2015	**2014**	**2015**	**2014**
Purchase of foreign currencies	5,494	6,826	5,075	3,590
Interest rate derivatives	454,951	540,646	363,198	514,525
Equity price risk derivatives	37,401	17,228	40,277	17,699
Other risk derivatives	--	--	21,462	17,203
Total	**497.846**	**564,700**	**430,012**	**553,017**

The notional values of derivatives held for trading at 31 December 2015 and 2014, by maturity date, are as follows:

	2015			
	Thousands of Euros			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Purchase of foreign currencies	422,489	13,674	--	436,163
Interest rate derivatives	5,197,498	3,104,019	17,436,014	25,737,530
Equity price risk derivatives	887,401	1,388,494	160,695	2,436,589
Other risk derivatives	--	125,000	260,000	385,000
Total	**6,507,387**	**4,631,187**	**17,856,709**	**28,995,283**

	2014			
	Thousands of Euros			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Purchase of foreign currencies	177,023	10,000	--	187,023
Interest rate derivatives	4,269,548	6,245,164	13,602,887	24,117,599
Equity price risk derivatives	1,062,286	1,809,192	180,550	3,052,028
Other risk derivatives	--	--	225,000	225,000
Total	**5,508,857**	**8,064,356**	**14,008,437**	**27,581,650**

Trading portfolio. Short positions

Details are as follows:

	Thousands of Euros	
	2015	2014
Counterparty		
Credit institutions	195,022	1,502
Total	**195,022**	**1,502**
Instrument		
Short positions	195,022	1,502
Total	**195,022**	**1,502**

6.2 Other financial liabilities at fair value through profit or loss

Details are as follows:

	Thousands of Euros	
	2015	2014
Counterparty		
Credit institutions	4,731	4,731
Total	**4,731**	**4,731**
Instrument		
Deposits from credit institutions	4,731	4,731
Total	**4,731**	**4,731**

7. Available-for-sale financial assets

Details of available-for-sale financial assets, based on the nature of the operations, are as follows:

	Thousands of Euros	
	2015	**2014**
Counterparty		
Credit institutions	3,596,219	3,587,427
Resident general government	148,592	208,140
Other resident sectors	65,055	104,998
Other non-resident sectors	19,909	10,508
Impairment losses	(909)	(783)
Total	**3,828,866**	**3,910,290**
Instrument		
Debt securities	3,811,691	3,883,969
Spanish government debt securities	3,596,219	3,587,427
Issued by credit institutions	145,746	205,236
Other Spanish fixed-income securities	53,952	86,180
Other non-resident fixed-income securities	16,683	5,909
Impairment losses	(909)	(783)
Other equity instruments	17,175	26,321
Shares in credit institutions	2,846	2,905
Shares in Spanish companies	11,103	18,818
Shares in foreign companies	65	99
Mutual fund units	3,161	4,499
Total	**3,828,866**	**3,910,290**

Available-for-sale debt securities earned interest at an average rate of 0.79% in 2015 (1.65% in 2014).

Loaned or pledged debt securities amounted to Euros 3,442,294 thousand at 31 December 2015 (Euros 2,424,087 thousand in 2014).

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category is provided under Risk Management in note 35, whereas certain information on the fair value of these assets is provided in note 23.

Portfolio of assets available for sale. Past-due impaired assets

At 31 December 2014 there were no individual available-for-sale financial assets that could have been considered impaired due to credit risk. At the 2015 year end, impairment of Euros 3,900 thousand had been recognised on equity instruments in the accompanying consolidated income statement with a direct charge to the acquisition cost of these instruments (see note 35.1.6).

8. Loans and receivables

Details of loans and receivables by type of instrument are as follows:

	Thousands of Euros	
	2015	**2014**
Loans and advances to credit institutions	9,361,277	10,869,238
Loans and advances to other debtors	1,038,416	1,059,462
Debt securities	60,669	70,543
Subtotal	**10,460,362**	**11,999,243**
Valuation adjustments		
Impairment losses	(46,146)	(43,211)
Other valuation adjustments	8,414	65,126
Total	**10,422,630**	**12,021,158**

Information on credit, liquidity and market risks assumed by the Group in relation to financial assets included in this category is provided under Risk Management in note 35, whereas certain information on the fair value of these assets is provided in note 23.

Loans and receivables. Loans and advances to credit institutions

Details by instrument are as follows:

	Thousands of Euros	
	2015	**2014**
Instrument		
Time deposits	6,081,352	7,250,317
Reverse repos	2,930,520	3,278,909
Other accounts	349,405	340,012
Subtotal	**9,361,277**	**10,869,238**
Valuation adjustments	8,192	64,829
Total	**9,369,469**	**10,934,067**

Loans and advances to credit institutions earned interest at an average annual rate of 0.13% in 2015 0.53% in 2014).

Loans and receivables. Loans and advances to other debtors

Details by instrument, status and borrower sector are as follows:

	Thousands of Euros	
	2015	**2014**
Instrument and status		
Commercial credit	29,082	22,292
Secured loans	112,011	122,594
Other term loans	797,435	798,270
Finance leases	2,289	6,230
Receivable on demand and others	8,648	20,198
Other accounts	79,842	80,717
Doubtful assets (Note 35.1.5)	9,109	9,161
Subtotal	**1,038,416**	**1,059,462**
Impairment losses	(43,296)	(42,954)
Other valuation adjustments	222	297
Total	**995,342**	**1,016,805**
Counterparty		
Spanish general government	657,705	652,236
Other resident sectors	334,738	394,343
Other non-resident sectors	45,973	12,883
Subtotal	**1,038,416**	**1,059,462**
Impairment losses	(43,296)	(42,954)
Other valuation adjustments	222	297
Total	**995,342**	**1,016,805**

Loans and advances to other debtors earned interest at an average annual rate of 1.92% in 2015 and 2014 (2.28% en 2015).

Loans and receivables. Debt securities

Details by instrument are as follows:

	Thousands of Euros	
	2015	**2014**
Spanish general government	49,269	59,143
Other resident sectors	11,400	11,400
Impairment losses	(2,850)	(257)
Total	**57,819**	**70,286**

These financial instruments earned interest at an average annual rate of 3.28% in 2015 and 2014.

9. Held-to-maturity investments

Details of held-to-maturity investments, based on the nature of the operations, are as follows:

	Thousands of Euros	
	2015	**2014**
Instrument		
Debt securities:		
Spanish government debt securities	97,283	125,848
Issued by credit institutions	18,171	18,140
Impairment losses	--	--
Total	**115,454**	**143,988**

At 31 December 2015 and 2014 there were no individual assets in this portfolio which could have been considered impaired due to credit risk.

Loaned or pledged debt securities amount to Euros 51,150 thousand at 31 December 2015 (Euros 57,347 thousand in 2014).

Held-to-maturity investments earned interest at an average annual rate of 3.15% in 2015 (3.30% in 2014).

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included in this category is provided under Risk Management in note 35, whereas certain information on the fair value of these assets is provided in note 23.

10. Equity Investments: Associates

Movement during 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	**2014**
Opening balance	**--**	**8,709**
Capital reduction by Espiga Capital Inversión, S.C.R., S.A.	--	(4,920)
Reclassification of investments to assets available for sale	--	(3,789)
Closing balance	**--**	**--**

On 1 November 2014 the Bank reclassified its investments in Espiga Capital Inversión, S.C.R., S.A. and Espiga Capital Inversión II, S.C.R., S.A. to the portfolio of "Assets available for sale" as they are now managed by a management company other than Espiga Capital Gestión, S.G.E.C.R., S.A. As a result, those investments were measured at fair value and a gain of Euros 802 thousand was recognised in consolidated profit or loss.

11. Tangible assets

Movement in 2015 and 2014 is as follows:

	Thousands of Euros			
	Real estate	Furniture and fixtures	IT equipment	Total
Cost				
Balance at 31 December 2013	17,749	3,840	2,696	24,285
Additions	--	61	168	229
Disposals	--	--	--	--
Balance at 31 December 2014	17,749	3,901	2,864	24,514
Additions	--	193	174	367
Disposals	--	(2)	--	(2)
Balance at 31 December 2015	17,749	4,092	3,038	24,879
Accumulated depreciation				
Balance at 31 December 2013	(3,331)	(2,617)	(2,478)	(8,426)
Additions	(228)	(228)	(132)	(588)
Disposals	--	--	--	--
Balance at 31 December 2014	(3,559)	(2,845)	(2,610)	(9,014)
Additions	(228)	(200)	(141)	(569)
Disposals	--	2	--	2
Balance at 31 December 2015	(3,787)	(3,043)	(2,751)	(9,581)
Net tangible assets				
Balance at 31 December 2014	**14,190**	**1,056**	**254**	**15,500**
Balance at 31 December 2015	**13,962**	**1,049**	**287**	**15,298**

In accordance with EU-IFRS, the Group revalued its real estate in an amount of Euros 6,638 thousand, An appraisal at 1 January 2004, prepared by an independent surveyor, was used as the fair value for this revaluation, The resulting adjustments were recognised under "Accumulated reserves" (Euros 4,466 thousand) and "Tax liabilities" (Euros 2,172 thousand) (see note 19).

At 31 December 2015 and 2014 the cost of fully-depreciated tangible assets for own use in service amounts to Euros 4,517 thousand and Euros 3,756 thousand, respectively.

At 31 December 2015 and 2014, the Bank has no tangible assets on which there are any ownership restrictions or which are pledged as collateral, Neither does it have any commitments to acquire tangible assets from third parties, No compensation or indemnities for the impairment or decline in value of tangible assets for own use were received from third parties in those years, nor are they expected to be received.

12. Intangible Assets

Movement in 2015 and 2014 is as follows:

	Thousands of Euros
Cost	**Other intangible assets**
Balance at 31 December 2013	9,632
Additions	1,210
Disposals	--
Balance at 31 December 2014	10,842
Additions	668
Disposals	--
Balance at 31 December 2015	11,510
Accumulated amortisation	
Balance at 31 December 2013	(8,447)
Additions	(823)
Disposals	--
Balance at 31 December 2014	(9,270)
Additions	(830)
Disposals	--
Balance at 31 December 2015	(10,100)
Net intangible assets	
Balance at 31 December 2014	**1,572**
Balance at 31 December 2015	**1,410**

At 31 December 2015 and 2014 the cost of fully-amortised intangible assets for own use in service amounts to Euros 8,588 thousand and Euros 7,882 thousand, respectively.

13. Financial liabilities at amortised cost

Details by type of counterparty are as follows:

	Thousands of Euros	
	2015	**2014**
Deposits from central banks	4,672,671	9,128,132
Deposits from credit institutions	6,677,190	8,705,413
Deposits from other creditors	4,921,950	744,807
Debt certificates including bonds	--	361,930
Other financial liabilities	11,356	53,067
Total	**16,283,167**	**18,993,349**

Details of residual maturity and the interest rate repricing matrix for the items recorded in this caption of the consolidated balance sheet are provided under Risk Management (see note 35).

Note 23 includes information on the fair value of financial instruments included in this caption.

Deposits from central banks and from credit institutions

Details of these liabilities by nature are as follows:

	Thousands of Euros					
	Deposits from central banks		Deposits from credit institutions		Total	
	2015	2014	2015	2014	2015	2014
Nature						
Time deposits	4,321,790	5,917,277	1,157,423	1,943,592	5,479,213	7,860,869
Repurchase agreements	347,902	3,158,292	1,782,162	1,043,809	2,130,064	4,202,101
Other accounts	--	--	3,731,205	5,659,784	3,731,205	5,659,784
Valuation adjustments	2,979	52,563	6,400	58,228	9,379	110,791
Total	**4,672,671**	**9,128,132**	**6,677,190**	**8,705,413**	**11,349,861**	**17,833,545**

At 31 December 2015 time deposits include Euros 67,153 thousand (Euros 113,698 thousand in 2014) for intermediary loans received from the Spanish Official Credit Institute.

These instruments accrued interest at an average rate of 0,14% in 2015 (0,46% in 2014).

Deposits from other creditors

Details by nature and currency are as follows:

	Thousands of Euros	
	2015	2014
Nature		
Demand deposits	663,714	515,391
Time deposits	8,646	16,956
Repurchase agreements	4,249,591	212,371
Valuation adjustments	(1)	89
Total	**4,921,950**	**744,807**

These instruments accrued interest at an average rate of 0.02% in 2015 (0.11% in 2014).

Debt certificates including bonds

Details are as follows:

	Thousands of Euros	
	2015	2014
Other non-convertible securities	--	351,687
Valuation adjustments	--	10,243
Total	--	**361,930**

Pursuant to Ministry of Economy and Finance Order EHA/3364/2008 of 21 November 2008, which enacts article 1 of Royal Decree-Law 7/2008 of 13 October 2008 on urgent economic-financial measures regarding the agreed action plan for Eurozone countries, on 2 December 2008 Banco Cooperativo Español, S.A., as the managing entity of a group of entities formed by the Bank and its shareholder rural savings banks, filed an application with the Spanish Public Treasury for a state guarantee for fixed-income issues amounting to Euros 2,797 million, relating to the total market share of the Bank and its shareholder rural savings banks.

As authorised by the shareholders at their general meeting held on 27 June 2007, the Bank's board of directors, at its meeting held on 17 December 2008, approved the fixed-income security issue programme encompassing the issues guaranteed by the Spanish State under aforementioned Royal Decree-Law 7/2008.

The State guarantee was approved by Ministry of Economy and Finance Orders dated 29 December 2008, 30 September 2009 and 13 February 2012 and extended to the Bank for the issue of private fixed-income securities for Euros 2,797 million, Euros 1,795 million and Euros 1,500 million, respectively.

The following issues were carried out under these programmes:

	Currency	Issue date	Maturity date	Interest rate	Thousands of Euros
Ordinary bonds. Third issue in 2009 under State guarantee	Eur	22.01.10	22.01.15	3.125%	899,712
Ordinary bonds. Fourth issue in 2008 under State guarantee	Eur	02.12.11	02.06.14	4.878%	930,600
Ordinary bonds. Fifth issue in 2012 under State guarantee	Eur	27.03.12	27.03.15	3-month Euribor + 2%	610,000
Ordinary bonds. Sixth issue in 2012 under State guarantee	Eur	27.03.12	27.03.17	3-month Euribor + +2.5%	890,000
Total					**3,330,312**

At 31 December 2014, the following issues were outstanding:

					Thousands of Euros	
	Currency	Issue date	Maturity date	Interest rate	2015	2014
Ordinary bonds. Third issue in 2009 under State guarantee	Eur	22.01.10	22.01.15	3.125%	--	351,687

These bonds were listed on the AIAF (Spanish association of securities dealers) organised market.

On 28 February and 13 March 2014, pursuant to the Ministry of Economy and Competitiveness Order issued on 13 February 2012, whereby the General State Administration extended guarantees for certain financing transactions arranged by Banco Cooperativo Español, S.A. and as set out in the prospectuses, the fourth, fifth and sixth bond issues were repaid early in full, The redemption price was 100% of par plus accrued interest.

Similarly, on 17 March 2014 the Bank made a public offer for the bonds from the third issue, offering a price equal to 100% plus accrued interest. Bondholders holding bonds totalling Euros 256,000 thousand accepted the offer. This amount and those shown for this issue under "Own securities" were redeemed early, As a result of the aforementioned transactions the Bank recognised gains totalling Euros 2,002 thousand under "Gains or losses on financial assets and financial liabilities (net)" in the accompanying income statement (see note 29).

Interest accrued on debt certificates including bonds totalled Euros 879 thousand in 2015 (Euros 38,897 thousand in 2014) (see note 25).

Other financial liabilities

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Obligations payable	580	571
Collateral received	4,246	15
Tax collection accounts	1,454	2,257
Special accounts	4,117	49,203
Financial guarantees	181	256
Other	778	765
Total	**11,356**	**53,067**

Information on deferred payments to suppliers, Third Additional Provision of Law 15/2010 of 5 July 2010: "Reporting Obligation"

In accordance with Law 15/2010 of 5 July 2010, amending Law 3/2004 of 29 December 2004, which introduces measures to combat late payments in commercial transactions, as developed by the resolution issued by the Spanish Accounting and Auditing Institute (ICAC) on 29 January 2016 on disclosures in the notes to the consolidated annual accounts of late payments to suppliers in commercial transactions, the following should be noted:

- Details of late payments to suppliers by the Group are as follows:

	2015
	Days
Average supplier payment period	30.9
Transactions paid ratio	31.1
Transactions payable ratio	27.7

	Amount (Thousands of Euros)
Total payments made	**27,075**
Total payments outstanding	**580**

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

- "Average supplier payment period" is understood as the time elapsed between the delivery of goods or the provision of services by the supplier and the effective payment of the operation.

14. Other Assets and Liabilities

Details are as follows:

	Thousands of Euros	
	Other assets	
	2015	2014
Prepayments and accrued income	2,213	1,837
Other	1,028	1,164
Total	**3,241**	**3,001**

	Other liabilities	
	2015	2014
Accrued expenses and deferred income: Accrued expenses	24,028	22,532
Other	17,101	12,622
Total	**41,129**	**35,154**

15. Hedging derivatives

The fair value of hedging derivatives is as follows:

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges:				
Hedging derivatives	23	49,654	--	33,332

The Bank hedges interest rate risk deriving from fixed-rate financial instruments, The purpose of this hedge is to maintain the fair value of hedged operations, which comprise fixed-income securities. At 31 December 2015 and 2014 the nominal amount of derivatives contracted to hedge interest rates amounted to Euros 3,127,883 and Euros 372,083 thousand, respectively.

Gains or losses on hedging instruments and the hedged item attributable to the hedged risk are not significant in 2015 and 2014 and are recognised under "Gains or losses on financial assets and liabilities (net) – Hedge accounting not included in interest" (see note 29).

16. Provisions

This item comprises provisions for contingent exposures and commitments, Movement during 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Opening balance	**221**	**552**
Net allowances charged to the income statement	31	(303)
Applications	(20)	(28)
Closing balance	**232**	**221**

17. Valuation Adjustments (Equity)

Valuation adjustments in the consolidated balance sheets include the amounts, net of the related tax effect, of adjustments to the assets and liabilities recorded temporarily in equity through the statement of total changes in equity until they are realised or extinguished, at which point they are transferred to shareholders' equity in the income statement. Amounts deriving from subsidiaries and associates are disclosed on a line-by-line basis according to their nature.

This item reflects the net amount of unrealised changes in the fair value of assets included for measurement purposes in available-for-sale financial assets, and changes derived from cash flow hedges.

Movement during 2015 and 2014 is as follows:

	Thousands of Euros					
	Assets available for sale		**Cash flow hedges**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Opening balance	**18,945**	**4,955**	**--**	**--**	**18,945**	**4,955**
Net revaluation gains/(losses)	(9,357)	16,892	11	--	(9,346)	16,892
Amounts transferred to the income statement	(4,152)	3,094	--	--	(4,152)	3,094
Income tax	4,052	(5,996)	(3)	--	4,049	(5,996)
Closing balance	**9,489**	**18,945**	**8**	**--**	**9,497**	**18,945**

18. Share Capital and Share Premium

18.1 Share Capital

At 31 December 2014, the share capital of the Bank was represented by 1,514,297 registered shares of Euros 60.10 par value each, subscribed and fully paid.

At their general meeting held on 27 May 2015, the Bank's shareholders agreed to increase capital with a charge to voluntary reserves, with an optional scrip dividend scheme. The board of directors was tasked with taking all the necessary steps to formally execute this scheme.

The capital increase of 133,554 shares with a par value of Euros 60.10 each charged to voluntary reserves was executed in a public deed on 15 June 2015. As such, at 31 December 2015 capital was represented by 1,647.851 shares, all subscribed and fully paid in.

Shareholders holding more than 10% of share capital at 31 December 2015 and 2014 are as follows:

	% ownership	
Entity	**2015**	**2014**
Caja Rural de Navarra, S. Coop de Crédito	15.45	--
DZ Bank AG	12.02	12.02
Caja Rural de Albacete, Ciudad Real y Cuenca, S. Coop. Credito	11.09	--
Caja Rural del Sur, S. Coop de Crédito	10.99	--

The Bank held no treasury shares at 31 December 2015 or 31 December 2014.

18.2 Share premium

This item reflects the amount disbursed by the shareholders over the par value of the shares when subscribing capital. At 31 December 2015 and 2014 the share premium amounts to Euros 85,972 thousand.

19. Reserves and Profit and Loss attributable to the Group

Definition

"Equity – Reserves – Accumulated reserves" in the consolidated balance sheets include the net amount of the accumulated profit and loss recognised in the consolidated income statement in previous years that was assigned to consolidated equity in the distribution of the profit, "Equity – Reserves of entities accounted for using the equity method" in the consolidated balance sheets include the net amount of the accumulated profit and loss generated in previous years by entities accounted for using the equity method and recognised in the consolidated income statement.

Breakdown

Details of these items at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Accumulated reserves		
Legal reserves	18,202	18,202
Other reserves	156,225	118,851
Revaluation reserves (note 11)	4,430	4,431
Consolidation reserves attributable to the Bank	(45)	292
Reserves in subsidiaries	20,305	19,062
Total	**199,117**	**160,838**

Movement

Details of changes in this caption of consolidated equity in 2015 and 2014 are shown in the consolidated statement of total changes in equity.

Legal reserve

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

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

Reserves (losses) of fully-consolidated entities

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Rural Informática, S.A.	6,236	5,836
Gescooperativo, S.A., S.G.I.I.C.	10,668	10,065
Espiga Capital Gestión, S.G.C.R., S.A.	154	147
Rural Inmobiliario, S.L.	2,134	1,959
BCE Formación, S.A.	577	538
Rural Renting, S.A.	536	517
Total	**20,305**	**19,062**

Profit and loss attributable to the Group

Details of profit and loss attributable to the Group, taking into account consolidation adjustments, are as follows:

	Thousands of Euros	
	2015	**2014**
Banco Cooperativo Español, S.A.	33,150	42,998
Rural Informática, S.A.	391	432
Rural Inmobiliario, S.L.	189	141
Gescooperativo, S.A., S.G.I.I.C.	3,382	2,603
BCE Formación, S.A.	218	119
Espiga Capital Gestión, S.A.	(8)	8
Total	**37,359**	**46,320**

20. Taxation

Tax assets and liabilities

Details at 31 December 2015 and 2014 are as follows:

	Thousands of Euros			
	Current		**Deferred**	
	2015	**2014**	**2015**	**2014**
Tax assets				
Temporary differences	--	--	27,521	13,564
VAT	276	226	--	--
Other	6,237	4,160	--	--
Total	**6,513**	**4,386**	**27,521**	**13,564**
Tax liabilities				
Temporary differences (liabilities)	--	--	6,523	10,414
Income tax	338	229	--	--
VAT	355	449	--	--
Other	536	492	--	--
Total	**1,229**	**1,170**	**6,523**	**10,414**

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

Royal Decree-Law 14/2013 on urgent measures to adapt Spanish law to European Union legislation on the supervision and solvency of financial institutions introduced certain measures aimed at allowing for some deferred tax assets to continue to be classed as capital, in line with legislation in force in other European Union member states. These include the amendment to the Revised Corporate Income Tax Law, approved by Royal Legislative Decree 4/2004 of 5 March 2004, which provides for the conversion of deferred tax assets into receivables from the taxation authorities; and Law 27/2014 of 27 November 2014 (for 2015 and subsequent years), which establishes a regime aimed at allowing for certain deferred tax assets to continue to be classed as prudential capital within the global regulatory framework for more resilient banks and banking systems (the Basel III Accord), pursuant to the implementing legislation of this Accord, i.e. Regulation (EU) No. 575/2013 and Directive 2013/36/EU, both dated 26 June 2013 (hereinafter CRD IV).

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

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

The Bank has estimated an amount of Euros 12,919 thousand and Euros 9,548 thousand at 31 December 2015 and 2014, respectively, which could be considered receivables from the taxation authorities. If the aggregate income tax payable for 2008 to 2015 exceeds the amount of monetisable tax assets, the Bank will not be required to pay the 1.5% financial contribution in order for the tax assets to be considered monetisable as provided for in articles 11.12, 130, additional provision 13 and transitional provision 33 of Income Tax Law 27/2014.

For these purposes, deferred tax assets and liabilities at 31 December 2015 and 2014 are as follows:

	Thousands of Euros			
	2015	**2014**	**2015**	**2014**
Temporary differences				
Pension obligations	443	311	--	--
Impairment losses on bad debts	12,477	9,237	--	--
Other items	13,146	2,706	1,020	1,087
Temporary differences recognised under Equity - Financial instruments	1,455	1,310	5,503	9,327
Unused tax deductions	--	--	--	--
Tax loss carryforwards	--	--	--	--
Total tax assets/liabilities	**27,521**	**13,564**	**6,523**	**10,414**

Movement in deferred tax assets and liabilities in 2015 and 2014 is as follows:

	Thousands of Euros	
	Assets	**Liabilities**
Balance at 31 December 2013	**13,498**	**6,605**
Recognised	2,415	3,882
Derecognised	(2,349)	(73)
Balance at 31 December 2014	**13,564**	**10,414**
Recognised	14,136	47
Derecognised	(179)	(3,939)
Balance at 31 December 2015	**27,521**	**6,523**

Deferred tax assets recognised are mainly non-deductible provisions for bad debts, pension obligations, portfolio impairment and the tax effect of decreases in the value of assets at fair value through equity, as well as deferred tax assets derived from the tax assessments issued on 4 November 2015, following the inspection of income tax for 2011 and 2012. Deferred tax assets derecognised reflect the reversal of non-deductible provisions for bad debts and pension obligations, the reversal of amortisation/depreciation considered non-deductible for tax purposes, the reversal of asset valuation adjustments, other non-deductible provisions and income that is not eligible for tax purposes deriving from prepaid fees and commissions (see note 2-p).

Deferred tax liabilities recognised mainly reflect the tax effect of increases in the value of liabilities at fair value through equity, while those derecognised are essentially the tax effect of decreases in the value of liabilities at fair value through equity (see note 2-p).

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

Income tax

Profits, determined in accordance with tax legislation, are subject to tax at a rate of 30%, pursuant to Income Tax Law 27/2014 and the Revised Income Tax Law previously in force.

A reconciliation of accounting profit for 2015 and 2014 with the taxable income that the Group expects to declare after approval of the consolidated annual accounts is as follows:

	Thousands of Euros	
	2015	**2014**
Accounting profit for the year before income tax	52,138	65,792
Permanent differences		
Donations and non-deductible expenses	133	68
Capitalisation reserve	(2,884)	--
Taxable accounting income	49,387	65,860
Temporary differences		
Provision for bad debts and pension obligations	3,600	7,179
Portfolio impairment, amortisation/depreciation and other	3,579	329
Valuation adjustments	(12,258)	--
Other adjustments to the tax base with no effect on the income tax expense	(10,168)	(1,999)
Taxable income	34,140	71,369
Tax at 30%	10,242	21,411
Withholdings and payments on account	(7,312)	(18,637)
Deductions and credits with effect on the income tax expense	(31)	(70)
Other deductions with no effect on the income tax expense	(2,462)	(4,628)
Effect of the Group's share in net profit/loss of associates	(99)	(240)
Income tax payable/(recoverable)	**338**	**(2,164)**

Permanent differences in taxable income reflect expenses for:

- Donations to non-profit entities and non-deductible penalties.

- Reduction in the tax base for amounts taken to the capitalisation reserve pursuant to article 25 of the Income Tax Law, as a result of the increase in the Group's shareholders' equity in 2015 due to the application of 2014 profit approved by the shareholders at their general meeting in May 2015. In 2015, the Group's shareholders' equity increased by Euros 46,634 thousand. Therefore, based on the limit established for the reduction of the tax base by up to 10% of the increase in shareholders' equity, the potential reduction in the tax base was Euros 4,663 thousand, of which Euros 2,884 thousand were applied to reduce the taxable income for 2015 in line with the reduction limit of 10% of the taxable income prior to the reduction, leaving Euros 1,780 thousand to be applied in future years.

Temporary differences primarily include tax adjustments to the general provision for the year, the non-deductible provision for substandard loans, the non-deductible specific provision for doubtful loans, the reversal of deferred fees and commissions on first-time application of Circular 4/2004, the adjustment of provisions for pension obligations, adjustments for portfolio impairment, reversal of adjustments derived from the limit on the tax deductibility of amortisation and depreciation expenses in 2013 and 2014, and the partial reversal in 2015 of the asset valuation adjustment resulting from the tax assessment issued on 4 November 2015.

Other adjustments to the tax base and deductions with no effect on the income tax expense reflect the recognition of tax losses amounting to Euros 10,168 thousand and deductions totalling Euros 2,462 thousand derived from investments in two economic interest groupings (EIG), in accordance with the terms of article 36 of Income Tax Law 27/2014. The Bank forms part of two EIGs that invest in film production, which in compliance with current tax regulations, allocate positive or negative tax bases, tax withholdings and tax credits to the members according to their respective ownership interest. The economic impact of the investments has been considered as an investment for accounting purposes and has therefore been recognised as income under "Interest and similar income" in the income statement. This item forms part of the tax base and is therefore included in the income tax expense.

The reductions in income tax payable having an effect on the income tax expense are due to deductions for international double taxation and donations to non-profit entities.

The income tax expense for the year is calculated as follows:

	Thousands of Euros	
	2015	**2014**
Income tax expense for the year:		
Taxable accounting income at 30%	14,816	19,758
Credits and deductions	(31)	(70)
Effect of the Group's share in net profit/loss of associates	(99)	(240)
Prior years' tax adjustments	89	15
Income tax expense	**14,775**	**19,463**
Foreign tax expense	6	7
Total	**14,781**	**19,470**

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

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2015 the Group has open to inspection by the taxation authorities all the main applicable taxes since 2011.

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

Nonetheless, on 12 February 2015 the taxation authorities commenced verification and investigation proceedings of the Bank's income tax, value added tax and withholdings and payments on account of personal income tax for 2011 and 2012. On 4 November 2015 the taxation authorities notified the Bank of the assessment decisions, which were signed in acceptance and have been paid at 31 December 2015. A charge of Euros 1,897 thousand has been recognised in the consolidated income statement as a result of these assessments.

The different tax benefits applied in the calculation of income tax payable for 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Income tax payable:		
Deductions for double taxation	6	36
Deduction for R&D&I expenses	--	10
Deduction for donations	25	24
Total	**31**	**70**

The Group made an extraordinary gain of Euros 32 thousand on the sale of computer software on 26 December 2011 and availed of tax relief for reinvestment in an amount of Euros 4 thousand, in accordance with article 42 of Royal Decree 4/2004 of 5 March 2004, which approved the Revised Income Tax Law. The proceeds from the sale amounted to Euros 73 thousand. In 2011 the Group reinvested Euros 502 thousand in new computer software which was recognised under intangible assets.

Independently of income tax recognised in the consolidated income statement, the Group has recognised taxes relating to valuation adjustments to available-for-sale financial assets directly in equity, until these assets are sold, amounting to Euros 1,455 thousand and Euros 1,310 thousand at 31 December 2015 and 2014, respectively.

At 31 December 2015, the Group's balance sheet includes certain tangible assets for own use that were revalued in 2005 at Euros 6,638 thousand, in accordance with the First Transitional Provision of Banco de España Circular 4/2004 (see note 11). Pursuant to article 122 of the Income Tax Law, this amount has not been included in the taxable income for 2015 and 2014.

21. Off-Balance Sheet Items

Off-balance sheet items comprise rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances necessary to reflect all transactions entered into by the consolidated entities, even where these do not impinge on their net assets.

a) Contingent liabilities

Contingent liabilities include all transactions under which the consolidated entities guarantee the obligations of a third party and which result from financial guarantees granted by the entities or from other types of contract, Contingent liabilities comprise the following items:

- Financial guarantees

Financial guarantees are the amounts that would be payable by the consolidated entities on behalf of third parties as a result of the commitments assumed by those entities in the course of their ordinary business, if the parties who are originally liable to pay fail to do so.

Details of contingent commitments at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Financial guarantees	31,764	40,999
Irrevocable documentary credits	47,473	16,125
Other bank guarantees and indemnities provided	8,759	40,797
Total	**87,996**	**97,921**

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

Income from guarantee instruments is recognised under fee and commission income in the consolidated income statements and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see note 27).

b) Contingent commitments

Contingent commitments include those irrevocable commitments that could give rise to the recognition of financial assets.

Details of contingent commitments at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Drawable by third parties	174,961	166,118
Regular way financial asset purchase contracts	2,988	10,599
Unpaid subscribed capital	2	2
Securities placement and subscription commitments	2,263	2,263
Total	**180,214**	**178,982**

22. Off-Balance Sheet Funds Under Management

Details of off-balance sheet funds managed by the Group at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Investment companies and mutual funds	3,586,527	3,022,562
Customer portfolios managed on a discretionary basis	1,181,836	886,644
Marketed but not managed by the Group	385,673	235,705
Total	**5,154,036**	**4,144,911**

23. Financial and Non-financial Assets and Liabilities Not Carried at Fair Value

a) *Fair value of financial assets and financial liabilities*

At 31 December 2015 and 2014 the fair value of the Group's financial instruments, by type of financial asset and financial liability and level, is as follows:

- Level 1: financial instruments with fair value based on their quoted price in active markets, without making any modifications to these assets.
- Level 2: Financial instruments with fair value estimated on the basis of their quoted price in organised markets for similar instruments or through other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- Level 3: Instruments with fair value estimated through valuation techniques in which certain significant input is not based on observable market data.

Input is considered significant if it is important in determining the fair value as a whole.

2015

	Thousands of Euros									
Financial assets	**Financial assets held for trading**		**Available-for-sale financial assets**		**Held-to-maturity investments**		**Loans and receivables**		**Total**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Level 1:										
Debt securities	1,820,932	1,820,932	3,785,354	3,785,354	115,454	128,593	46,900	50,937	5,768,640	5,785,816
Equity instruments	--	--	8,734	8,734	--	--	--	--	8,734	8,734
Level 2:										
Debt securities	473,531	473,531	26,337	26,337	--	--	10,919	11,858	510,787	511,726
Deposits with credit institutions and central banks	--	--	--	--	--	--	9,369,469	9,371,249	9,369,469	9,371,249
Loans and advances to other debtors	--	--	--	--	--	--	995,342	1,074,393	995,342	1,074,393
Derivatives	457,292	457,292	--	--	--	--	--	--	457,292	457,292
Level 3:										
Equity instruments	--	--	8,441	8,441	--	--	--	--	8,441	8,441
Derivatives	40,554	40,554	--	--	--	--	--	--	40,554	40,554
Total	**2,792,309**	**2,792,309**	**3,828,866**	**3,828,866**	**115,454**	**128,593**	**10,422,630**	**10,508,437**	**17,159,259**	**17,258,205**

Financial liabilities	Financial liabilities held for trading		Other liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Hedging derivatives		Total	
	Thousands of Euros									
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Level 1:										
Short positions	195,022	195,022	--	--	--	--	--	--	195,022	195,022
Level 2:										
Deposits from central banks and credit institutions	--	--	4,731	4,731	11,349,861	11,357,986	--	--	11,354,592	11,362,717
Deposits from other creditors	--	--	--	--	4,921,950	4,922,054	--	--	4,921,950	4,922,054
Derivatives	389,496	389,496	--	--	--	--	49,654	49,654	439,150	439,150
Other financial liabilities	--	--	--	--	11,356	11,356	--	--	11,356	11,356
Level 3:										
Derivatives	40,516	40,516	--	--	--	--	--	--	40,516	40,516
Total	**625,034**	**625,034**	**4,731**	**4,731**	**16,283,167**	**16,291,396**	**49,654**	**49,654**	**16,962,586**	**16,970,815**

2014

Financial assets	Financial assets held for trading		Available-for-sale financial assets		Held-to-maturity investments		Loans and receivables		Total	
	Thousands of Euros									
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Level 1:										
Debt securities	2,979,114	2,979,114	3,873,462	3,873,462	143,988	160,324	70,286	71,705	7,066,850	7,084,605
Equity instruments	--	--	14,831	14,831	--	--	--	--	14,831	14,831
Level 2:										
Debt securities	111,993	111,993	8,605	8,605	--	--	--	--	120,598	120,598
Deposits with credit institutions and central banks	--	--	--	--	--	--	10,934,067	10,940,517	10,934,067	10,940,517
Loans and advances to other debtors	--	--	--	--	--	--	1,016,805	1,122,848	1,016,805	1,122,848
Derivatives	546,037	546,037	--	--	--	--	--	--	546,037	546,037
Level 3:										
Debt securities	--	--	1,902	1,902	--	--	--	--	1,902	1,902
Equity instruments	297	297	11,490	11,490	--	--	--	--	11,787	11,787
Derivatives	18,663	18,663	--	--	--	--	--	--	18,663	18,663
Total	**3,656,104**	**3,656,104**	**3,910,290**	**3,910,290**	**143,988**	**160,324**	**12,021,158**	**12,135,070**	**19,731,540**	**19,861,788**

Financial liabilities	Financial liabilities held for trading		Other liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	Thousands of Euros							
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Level 2:								
Deposits from central banks and credit institutions	--	--	--	--	16,926,899	17,070,261	16,926,899	17,070,261
Deposits from other creditors	--	--	--	--	3,690,718	3,690,304	3,690,718	3,690,304
Debt certificates including bonds	--	--	--	--	2,813,439	2,970,608	2,813,439	2,970,608
Subordinated liabilities	427,863	427,863	--	--	--	--	427,863	427,863
Derivatives	--	--	--	--	7,956	7,956	7,956	7,956
Total	**427,863**	**427,863**	**--**	**--**	**23,439,012**	**23,739,129**	**23,866,875**	**24,166,992**

The methodology used to calculate the fair value of each class of financial asset and financial liability is as follows:

Trading derivatives and hedging derivatives

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

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

- Interest rate derivatives: for financial instruments besides options, primarily swaps, the fair value has been determined by discounting future cash flows using implicit money market curves and the swap curve, while in the case of interest rate options it has been determined using generally accepted valuation techniques based on Black-Scholes and implied volatility matrices.

- Derivatives on equity instruments or stock market indices and currency derivatives: the fair value is determined using the Monte Carlo method, which consists of random sampling of underlying inputs, taking into account their probability distribution. The factors used in the simulation are: price of underlying asset, currency interest rates, currency exchange rates, dividends paid out by the underlying asset, its volatility and the level of correlation.

- Credit Valuation Adjustments (hereinafter "CVA") and Debit Valuation Adjustments (hereinafter "DVA") are included in the measurement of both asset and liability derivative products to reflect the impact on fair value of counterparty credit risk and the Group's own risk, respectively.

  The adjustments to be performed are calculated by estimating exposure at default, the probability of default and loss given default for all derivative products with any underlying, by legal entity (i.e. all counterparties under the same ISDA/CMOF contract) to which Banco Cooperativo Español is exposed.

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

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

At 31 December 2015 and 2014 the Bank held positions in OTC derivatives, primarily interest rate swaps, equity options and securities swaps, mainly as a result of services provided to rural savings banks involving intermediation between the banks and market counterparties and asset securitisation funds (back-to-back operations). These instruments do not offer predetermined cash flows, but rather their cash flows depend upon the performance of certain market risk factors (interest rates, exchange rates, share prices, etc.) leading to changes in their fair value which could, at any time, fluctuate between a positive value (exposure to counterparty risk) or a negative value (exposure to own credit risk).

Based on the calculations performed by the Group and confirmed by an independent expert, the valuation of credit risk derived from both asset (credit valuation adjustment (CVA)) and liability (debt valuation adjustment (DVA)) derivative positions did not have a significant net impact at 31 December 2015 and net income of Euros 6,496 thousand was recognised under “Gains or losses on financial assets and financial liabilities (net)” in the consolidated income statement.

b) *Fair value of tangible assets*

Tangible assets are carried at their appraisal value at 1 January 2004 (see note 11), The fair value is based on external appraisals and internal appraisals contrasted with market data and is not considered to differ significantly from the carrying amount at 31 December 2015 and 2014.

24. Interest and Similar Income

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

Details of the main interest and similar income earned by the Group in 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Balances with central Banks (note 5)	177	562
Loans and advances to credit institutions (note 8)	20,139	88,498
Loans and advances to other debtors (note 8)	26,114	27,426
Debt securities (note 7 and 9)	53.,631	99,363
Doubtful assets	1	7
Other interest	3,294	353
Total	**103,356**	**216,209**

25. Interest expense and similar charges

Interest expense and similar charges include the interest accrued during the year on all financial liabilities with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value,

Details of the main items of interest expense and similar charges accrued by the Group in 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Deposits from central Banks (note 13)	4,547	13,239
Deposits from credit institutions (note 13)	32,967	92,632
Deposits from other creditors (note 13)	166	2,433
Debt certificates including bonds (note 13)	879	38,897
Rectifications as a result of hedging transactions (note 15)	(1,249)	(1,474)
Other interest	2,646	125
Total	**39,956**	**145,852**

26. Dividend Income

Dividend income includes the dividends and remuneration from equity instruments deriving from profits generated by investees after the acquisition of the equity interest.

Details of dividend income are as follows:

	Thousands of Euros	
	2015	**2014**
Available-for-sale financial assets	264	1,073
Total	**264**	**1,073**

27. Fee and Commission Income

Fee and commission income comprises the amount of all fees and commissions accrued during the year, except those forming an integral part of the effective interest rate on financial instruments.

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Contingent exposures (note 21)	847	1,116
Contingent commitments (note 21)	77	76
Foreign currency exchange	470	366
Collection and payment service	1,839	1,802
Transfers, giros and other payment orders	46,000	33,424
Sale of non-banking products	2,139	1,364
Other fees and commissions	1,433	2,434
Total	**52,805**	**40,582**

28. Fee and Commission Expense

Fee and commission expense comprises all fees and commissions paid or payable by the Group in the year, except those forming an integral part of the effective interest rate on financial instruments.

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Fees and commissions assigned to other entities and correspondents	6,628	5,448
Fee and commission expenses on securities transactions	30,675	19,778
Other fees and commissions	88	111
Total	**37,391**	**25,337**

29. Gains or Losses on Financial Assets and Financial Liabilities and Exchange Difference (Net)

Gains or losses on financial assets and financial liabilities

Gains or losses on financial assets and financial liabilities include valuation adjustments to financial instruments, except those attributable to interest accrued as a result of applying the effective interest method and to impairment of assets recorded in the consolidated income statement, as well as gains or losses on the sale and purchase of financial instruments.

Details by type of instrument are as follows:

	Thousands of Euros	
	2015	**2014**
Financial assets held for trading (see Note 6)	6,992	5,651
Available-for-sale financial assets (see Note 7)	4,183	1,935
Loans and receivables (see Note 8)	8	11
Financial liabilities at amortised cost (note 13)	--	2,002
Other	(250)	--
Total	**10,933**	**9,599**

"Hedge accounting not included in interest" reflects fair value hedges, distinguishing between hedging instruments and the hedged item, Gains and losses recognised in 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Hedge accounting not included in interest	--	--
Hedging derivatives	(10,012)	(12,560)
Gains	123,582	15,450
Losses	(133,594)	(28,010)
Hedged items	10,012	12,560
Gains	131,958	31,577
Losses	(121,946)	(19,017)

Exchange differences (net)

Exchange differences include gains and losses on the purchase and sale of foreign currencies and differences arising from the conversion of the different monetary items in the consolidated balance sheet from foreign currency to Euros.

Total net exchange differences amount to Euros 696 thousand at 31 December 2015 (Euros 290 thousand at 31 December 2014) (see note 35-5).

30. Personnel Expenses

Personnel expenses comprise all remuneration of permanent and temporary personnel on the payroll, irrespective of their duties or activity, accrued during the year for all items, including the current service cost for pension plans.

Details are as follows:

	Thousands of Euros	
	2015	**2014**
Wages and salaries	11,410	11,356
Social Security	2,517	2,428
Charges to pension plans	94	91
Other personnel expenses	155	220
Total	**14,176**	**14,095**

The average number of employees in the Group, by professional category, is as follows:

	2015		2014	
	Male	**Female**	**Male**	**Female**
Management team	13	1	13	1
Directors	16	8	15	7
Department managers	9	10	12	10
Technical specialists	37	42	27	42
Administrative personnel	31	50	30	49
Total	**106**	**111**	**97**	**109**
By type of contract				
Indefinite	102	111	97	108
Temporary	4	--	--	1
Total	**106**	**111**	**97**	**109**

At 31 December 2015 and 2014, the Group had three disabled employees.

31. Other Administrative Expenses

At 31 December 2015 and 2014 three group employees were disabled.

	Thousands of Euros	
	2015	**2014**
Property, fixtures and materials	601	684
Information technology	2,310	2,132
Communications	1,264	1,241
Advertising and publicity	96	159
Legal and lawyer expenses	258	140
Technical reports	1,317	1,137
Security and armoured cash transport services	229	228
Insurance premiums	215	278
Governing and control bodies	222	211
Entertainment and staff travel expenses	214	278
Association membership fees	324	307
Outsourced administrative services	640	625
Contributions and taxes	623	764
Other	290	194
Total	**8,603**	**8,378**

KPMG Auditores S.L., the auditors of the Group's consolidated annual accounts, have invoiced fees and expenses for professional services during the years ended 31 December 2015 and 2014, as follows:

	Thousands of Euros			
	Bank		Group	
	2015	2014	2015	2014
Audit services	24	44	47	71
Other assurance services	59	21	59	21
Other services	3	9	3	9
Total	**86**	**74**	**109**	**101**

The amounts detailed in the above table include the total fees for services rendered in 2015 and 2014, irrespective of the date of invoice.

Other companies forming part of the KPMG Europe, LLP Group invoiced the Bank and the Group the following fees and expenses for professional services during the years ended 31 December 2015 and 2014:

	Thousands of Euros	
	2015	2014
Other services	45	12

32. <u>Segment Reporting</u>

<u>Segmentation criteria</u>

Segment reporting is based on the Group's different lines of business, Geographical distribution is not significant as almost all revenue is obtained in Spain. The following lines of business have been defined based on the Group's organisational structure, taking into account the nature of the products and services, as well as the clients,

The Group focused its activities on the following segments in 2015 and 2014:

- Commercial banking
- Asset management
- Markets
- Corporate activities

Bases and method of business segment reporting

Segment information is based on internal systems for calculating profitability by business area,.

Interest income and revenue from lines of business are calculated by applying transfer prices in line with prevailing market rates to the corresponding assets and liabilities. Administrative expenses include direct expenses and certain allocated expenses of support service units.

	Thousands of Euros									
	Commercial banking		**Asset management**		**Markets**		**Corporate activities**		**Total Group**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Gross margin	17,126	17,702	11,058	9,825	44,856	60,461	11,232	10,659	84,272	98,647
Administrative expenses, amortisation and depreciation	4,653	4,599	2,604	2,574	3,957	3,908	12,963	12,804	24,177	23,885
Provisions and impairment losses on financial assets	4,056	8,970	--	--	--	--	3,900	--	7,956	8,970
Profit on operating activities	8,417	4,133	8,454	7,251	40,899	56,554	(5,631)	(2,146)	52,139	65,792
Other profit	--	--	--	--	--	--	(1)	--	(1)	--
Profit before income tax	8,418	4,133	8,454	7,251	40,899	56,554	(5,631)	(2,147)	52,138	65,792
Corporate income tax	2,386	1,223	2,397	2,146	11,594	16,736	(1,596)	(635)	14,781	19,470
Consolidated profit for the year	**6,031**	**2,910**	**6,057**	**5,105**	**29,305**	**39,818**	**(4,036)**	**(1,511)**	**37,357**	**46,322**

33. Related Parties

In addition to the information provided in note 4 on remuneration received, details of balances and transactions with related parties during 2015 and 2014 are as follows:

	Thousands of Euros					
	Associates		**Senior management**		**Other related parties**	
Assets	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Loans and advances to other debtors	1,865	781	69	542	1,865	781
Allowances and provisions for credit risk	(31)	(13)	(1)	(9)	(31)	(13)
Liabilities						
Deposits from other customers	778	407	1,448	5,466	778	407
Other						
Contingent liabilities	--	25	--	43	--	25
Commitments	--	108	--	30	--	108
Profit and loss						
Interest and similar income	16	14	2	9	16	14
Interest expense and similar charges	1	2	1	6	1	2

34. Customer Service Department

In accordance with Article 17 of Ministry of Economy Order ECO/734/2004 of 11 March 2004 on customer service departments and the financial institution ombudsman, the 2015 Annual Report presented by the head of the service to the board of directors at their meeting held on 24 February 2016 is summarised below.

In 2015, the Customer Service Department received six claims and/or complaints, all from individuals, of which two were rejected and four were resolved during the year.

	Number	
Issue	**2015**	**2014**
Loans	1	1
Deposits	-	1
Other banking products	2	2
Collection and payment service	1	1
Other	-	1
Total	**4**	**6**

The number of complaints resolved, by autonomous region, is as follows:

	2015	**2014**
Baleares	1	1
La Rioja	-	1
Madrid	2	4
País Vasco	1	-

35. Risk Management

The Banco Cooperativo Español Group's risk exposure mainly relates to the assets and liabilities of the Entity, whose total assets account for 99.80% of the Group's total assets at 31 December 2015 and 2014, respectively (see note 1).

35.1 Credit risk

Credit risk is the risk of one party to a contract that meets the definition of a financial instrument ceasing to comply with its obligations, resulting in a financial loss for the other party.

Credit risk therefore represents the risk of loss assumed by the Group in the event that a customer or any counterparty fails to comply with its contractual payment obligations. This risk is inherent in traditional products of banking entities (loans, credit facilities, financial guarantees extended, etc.), as well as in other types of financial assets (fixed-income securities of the Group, derivatives, etc.).

Credit risk affects financial assets carried at amortised cost and assets recognised at fair value in the consolidated financial statements. The Group applies the same credit risk control policies and procedures to these financial assets irrespective of the recognition criteria used.

The Group's credit risk control policies and objectives have been approved by the Bank's board of directors. The Risk Committee, together with the Assets and Liabilities Committee, is in charge of implementing the Group's risk policies that enable compliance with the objectives set by the board. The risk control unit (under the General Audit and Risks Department and, therefore, independent of the business units in charge of implementing policies defined by the Entity) is responsible for establishing the control procedures required to continuously monitor the levels of risk assumed by the Group as well as strict compliance with the objectives set by the Group with respect to credit risks. Together with the Internal Audit Department (under the Internal Audit Committee), the risk control unit also monitors compliance with the Group's risk control policies, methods and procedures, ensuring that these are sufficient, implemented effectively and reviewed regularly, and providing the information required by higher-level governing bodies to implement the necessary corrective measures, where applicable.

The control unit monitors, on an ongoing basis, risk concentration levels, the default rate and the different warning systems in place that enable it to keep an eye on credit risk trends at all times, Any deviations from the forecast performance of any of these parameters are analysed to determine the causes. Once the causes of these deviations are known, they are analysed by the control unit which submits the corresponding reports to the Group's management bodies so that the necessary corrective measures may be taken; for example, defining or correcting established control mechanisms which may not have functioned satisfactorily, or amending policies and limits agreed by the Group. In particular, a more exhaustive analysis will be performed of operations which, for different reasons, have resulted in payment delays or defaults, to determine the effectiveness of the hedges contracted by the entity, in order to take any necessary measures to improve the Group's acceptance policies and credit risk analysis mechanisms.

35.1.1 Maximum credit risk exposure level

The following table shows the maximum credit risk exposure level assumed by the Group at 31 December 2015 and 2014 for each type of financial instrument, without deducting collateral or any other guarantees received to ensure repayment by borrowers:

	2015				
	Thousands of Euros				
Type of instruments	**Trading portfolio**	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**	**Total**
Debt instruments					
Loans and advances to credit institutions	--	--	9,361,277	--	9,361,277
Marketable securities	2,294,463	3,811,691	60,669	115,454	6,282,277
Loans and advances to other debtors	--	--	1,038,416	--	1,038,416
Total debt instruments	2,294,463	3,811,691	10,460,362	115,454	16,681,970
Equity instruments	--	17,175	--	--	17,175
Contingent exposures					
Guarantee deposits	--	--	31,764	--	31,764
Other contingent exposures	--	--	56,232	--	56,232
Total contingent exposures	--	--	87,996	--	87,996
Other exposures					
Derivatives	497,846	--	--	--	497,846
Contingent commitments	--	--	180,214	--	180,214
Total other exposures	497,846	--	180,214	--	678,060
Maximum credit risk exposure level	**2,792,309**	**3,828,866**	**10,728,572**	**115,454**	**17,465,201**

Type of instruments	2014 Thousands of Euros Trading portfolio	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Total
Debt instruments					
Loans and advances to credit institutions	--	--	10,869,238	143,988	11,013,226
Marketable securities	3,091,107	3,883,969	70,543	--	7,045,619
Loans and advances to other debtors	--	--	1,059,462	--	1,059,462
Total debt instruments	**3,091,107**	**3,883,969**	**11,999,243**	**143,988**	**19,118,307**
Equity instruments	**297**	**26,321**	**--**	**--**	**26,618**
Contingent exposures					
Guarantee deposits	--	--	40,999	--	40,999
Other contingent exposures	--	--	56,922	--	56,922
Total contingent exposures	--	--	**97,921**	**--**	**97,921**
Other exposures					
Derivatives	564,700	--	--	--	564,700
Contingent commitments	--	--	178,982	--	178,982
Total other exposures	**564,700**	**--**	**178,982**	**--**	**743,682**
Maximum credit risk exposure level	**3,656,104**	**3,910,290**	**12,276,146**	**143,988**	**19,986,528**

The following should be taken into consideration in relation to the information shown in the above tables:

- "Debt instruments" recognised under assets in the consolidated balance sheet are reflected at their carrying amount, excluding valuation adjustments (impairment losses, deferred interest, arrangement costs and similar commissions pending deferral, etc.).

- "Contingent commitments" comprise available balances bearing no conditions for debtors,

- Contingent exposures are stated at the maximum amount guaranteed by the Group, In general, most of these balances are estimated to reach maturity without requiring any actual financing by the Entity (see note 21).

- Information on other credit risk exposures, such as counterparty risk related to the contracting of derivative financial instruments, is stated at the carrying amount.

35.1.2 Credit rating of credit risk exposures

The Group uses advanced models to measure credit risk, The credit rating of public entities, financial institutions and corporate customers is measured through rating systems, while the credit rating of the retail banking portfolio (individual customers, small companies and freelance professionals) is measured using scoring systems.

The distribution of risk at 31 December 2015 and 2014, based on ratings (external or internal, in line with the credit rating models developed by the Group) is as follows:

	2015		2014	
Credit rating	**Thousands of Euros**	**%**	**Thousands of Euros**	**%**
AAA	2,024	0.0	11,000	0.1
AA+	15,341	0.1	10,409	0.1
AA	43,294	0.3	11,767	0.1
AA-	5,287	0.0	9,915	0.1
A+	24,576	0.2	39,866	0.2
A	273,998	1.8	163,893	1.0
A-	12,327,325	81.9	13,441,083	80.4
BBB+	311,564	2.1	724,037	4.3
BBB	652,974	4.3	599,731	3.6
BBB-	440,694	2.9	101,636	0.6
BB+	100,618	0.7	236,167	1.4
BB	212,579	1.4	121,578	0.7
Below BB	439,923	2.9	431,169	2.6
Not rated	195,576	1.3	810,373	4.8
Total	**15,045,774**	**100.0**	**16,712,624**	**100.0**

35.1.3 Loans and advances to other debtors Details by counterparty

The carrying amounts of the total financing classified by counterparty and details of the collateral pledged to secure transactions are as follows:

2015
Thousands of Euros

				Secured loans Loan to value				
	Total	**Of which: Real estate collateral**	**Of which: Other collateral**	**Less than or equal to 40%**	**More than 40% and less than or equal to 60%**	**More than 60% and less than or equal to 80%**	**More than 80% and less than or equal to 100%**	**Loan to value More than 100%**
Spanish general government	**658,157**	--	--	--	--	--	--	--
Other financial institutions	**108,540**	--	--	--	--	--	--	--
Non-financial companies and individual entrepreneurs	**176,449**	**15,541**	**1,946**	**5,892**	**10,449**	**1,032**	**115**	--
Construction and real estate development	--	--	--	--	--	--	--	--
Civil works	23,135	100	--	100	--	--	--	--
Other	153,313	15,441	1,946	5,792	10,449	1,032	115	--
Large companies	67,053	11,585	--	3,213	8,372	--	--	--
SMEs and individual entrepreneurs	86,261	3,856	1,946	2,579	2,077	1,032	115	--
Other households and non-profit institutions serving households	**86,901**	**68,771**	**449**	**14,500**	**15,141**	**19,768**	**8,664**	**11,147**
Homes	65,793	63,920	--	12,490	13,278	19,375	8,163	10,614
Consumer	3,328	13	--	13	--	--	--	--
Other	17,780	4,838	449	1,997	1,863	392	502	533
SUBTOTAL	**1,030,046**	**84,313**	**2,395**	**20,393**	**25,590**	**20,799**	**8,779**	**11,147**
(-) Valuation adjustment for impairment of assets not allocated to specific operations,	(34,704)	--	--	--	--	--	--	--
TOTAL	**995,342**	--	--	--	--	--	--	--
MEMORANDUM ITEM								
Refinancing, refinanced and restructured transactions	31,863	13,309	--	3,740	8,704	865	--	--

	2014 Thousands of Euros							
				Secured loans Loan to value				
	Total	**Of which: Real estate collateral**	**Of which: Other collateral**	**Less than or equal to 40%**	**More than 40% and less than or equal to 60%**	**More than 60% and less than or equal to 80%**	**More than 80% and less than or equal to 100%**	**Loan to value More than 100%**
Spanish general government	**652,647**	--	--	--	--	--	--	--
Other financial institutions	**43,519**	--	--	--	--	--	--	--
Non-financial companies and individual entrepreneurs	**261,787**	**24,013**	**1,587**	**1,618**	**2,740**	**1,136**	**16,497**	**3,610**
Construction and real estate development	327	80	--	6	--	--	56	18
Civil works	23,003	106	--	106	--	--	--	--
Other	238,457	23,827	1,587	1,506	2,740	1,136	16,441	3,592
Large companies	78,882	19,569	--	--	--	--	15,977	3,592
SMEs and individual entrepreneurs	159,575	4,258	1,587	1,506	2,740	1,136	464	--
Other households and non-profit institutions serving households	**91,919**	**71,819**	**441**	**16,438**	**16,235**	**17,305**	**11,039**	**11,242**
Homes	67,068	65,351	--	13,842	13,896	16,645	10,512	10,456
Consumer	2,825	17	--	17	--	--	--	-
Other	22,026	6,451	441	2,579	2,339	660	527	786
SUBTOTAL	**1,049,872**	**95,832**	**2,028**	**18,056**	**18,975**	**18,441**	**27,536**	**14,852**
(-) Valuation adjustment for impairment of assets not allocated to specific operations,	(33,067)	--	--	--	--	--	--	--
TOTAL	**1,016,805**	--	--	--	--	--	--	--
MEMORANDUM ITEM								
Refinancing, refinanced and restructured transactions	43,591	21,414	--	6	565	1,136	15,977	3,730

Refinancings and restructurings policies

The Refinancing Policy follows the best practices set out in Banco de España Circular 6/2012 of 28 September 2012 and Banco de España letters dated 30 April 2013. The objective of this policy is the recovery of all due amounts and it specifies the necessity of immediately recognising those amounts that are considered irrecoverable.

The transaction refinancing policy includes:

- An individual up-to-date analysis of the financial position and payment capacity of the borrowers and guarantors.
- The status and effectiveness of guarantees provided.
- Experience with the borrower: sufficiently extensive repayment history or, in the absence thereof, a repayment on the loan principal of equal value.
- Interruption of arrears. Refinancing or restructuring of transactions in arrears does not interrupt those arrears or lead to their reclassification, unless there is reasonable certainty that the customer can meet its payment obligations or put up new, effective guarantees and, in both cases, at least the outstanding ordinary interest payments are collected.

The refinancing of transactions and the related accounting impairment is associated with a low rating in one of the following categories:

- Refinancing of performing loans. Those for which there is objective evidence that the recovery of all amounts owed is highly probable and, therefore, no provision is made. The following factors are taken into account:

    - Maximum grace period of 12 months.
    - Existence of a suitable repayment plan.
    - Incorporation of guarantors of unquestionable solvency or effective new guarantees.

- Refinancing of doubtful loans, Transactions for which there is evidence that the borrower's repayment capacity is weak. The minimum provision for this type of transaction is 25%. In this type of transaction, the following factors are to be considered:

    - The failure to produce effective new guarantees or settle all outstanding interest payable.

    - The granting of grace periods of over 30 months on repayments of principal.

    - The source of prior refinancing or restructuring.

  The above factors are to be considered unless there is evidence of the borrower's repayment capacity being sufficient to meet its commitments in the time and manner contractually stipulated.

- Refinancing of substandard loans. These are loans that are not included in the two previous categories. The minimum provision to be recognised is 15%.

Type of transaction: The Circular distinguishes between:

- Refinancing transaction: a transaction which, irrespective of the holder or guarantees, is granted or used for economic or legal reasons related to the holder's (holders') current or foreseeable financial difficulties to settle one or more transactions granted by the bank or other group entities to the holder (or holders), or to other group companies, or a transaction whereby outstanding amounts related to the aforementioned transactions are fully or partially paid up, to facilitate debt (principal or interest) repayment by holders of cancelled or refinanced transactions that are unable, or are expected to become unable, to meet their commitments in the agreed time and manner.

- Refinanced transaction: a transaction that is fully or partially paid up as a result of a refinancing transaction entered into by a bank or another group entity.

- Restructured transaction: a transaction in which the financial conditions are amended for economic or legal reasons related to the holder's (holders') current or foreseeable financial difficulties to facilitate debt (principal and interest) repayment when the holder cannot or is not expected to be able to meet its commitments in the agreed time and manner, even if this amendment was set out in the agreement. Transactions in which the debt is discharged or assets are received to reduce the debt, or the conditions are amended to extend their maturity, change the debt repayment schedule to reduce the amount of the instalments in the short term or diminish their frequency, or establish a grace period or lengthen an existing grace period for principal, interest or both, unless it can be shown that the conditions have been amended for reasons other than the holders' financial difficulties and they are equivalent to market conditions in force on the amendment date for loan transactions granted to customers with a similar risk profile, are considered restructured transactions.

- Novation transaction: a transaction entered into to replace another transaction previously granted by the bank in which a borrower does not have financial difficulties and is not expected to have them in future; thus, a transaction entered into for reasons other than refinancing.

- Renegotiated transaction: a transaction in which the financial conditions are amended although the borrower does not have financial difficulties and is not expected to have them in future; thus, a transaction in which conditions are amended for reasons other than restructuring.

At 31 December 2015 the outstanding refinanced balance totals Euros 40,253 thousand (Euros 52,711 thousand at 31 December 2014). This figure includes performing, substandard and doubtful loans, and it represents 2.4% (3.7% in 2014) of total loans and advances to other debtors.

31.12.2015

	Thousands of Euros												
	Normal						**Substandard**						
	Full mortgage loan		Other collateral		Unsecured		Full mortgage loan		Other collateral		Unsecured		
	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Specific provision
Spanish general government	--	--	--	--	--	--	--	--	--	--	--	--	--
Other legal entities and individual entrepreneurs	4	12,977	1	141	7	12,160	--	--	1	1,114	11	5,852	(1,044)
Of which: Financing of construction and real estate development	--	--	--	--	--	--	--	--	--	--	--	--	--
Other individuals	2	332	--	--	1	7	--	--	--	--	--	--	--
Total	**6**	**13,309**	**1**	**141**	**8**	**12,167**			**1**	**1,114**	**11**	**5,852**	**(1,044)**

	Doubtful									
	Full mortgage loan		Other collateral		Unsecured			**Total**		
	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Specific provision	Number of transactions	Gross amount	Specific provision
Spanish general government	--	--	--	--	--	--	--	--	--	--
Other legal entities and individual entrepreneurs	--	--	1	7,237	3	433	(7,346)	28	39,914	(8,390)
Of which: Financing of construction and real estate development	--	--	1	7,237	--	--	(7,237)	1	7,237	(7,237)
Other individuals	--	--			--	--	--	3	340	--
Total	**--**	**--**	**1**	**7,237**	**3**	**433**	**(7,346)**	**31**	**40,253**	**(8,390)**

31.12.2014

	Thousands of Euros												
	Normal						**Substandard**						
	Full mortgage loan		Other collateral		Unsecured		Full mortgage loan		Other collateral		Unsecured		
	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Specific provision
Spanish general government	--	--	--	--	--	--	--	--	--	--	--	--	--
Other legal entities and individual entrepreneurs	3	17,446	3	3,784	13	15,408	1	55	2	1,124	13	6,615	(1,212)
Of which: Financing of construction and real estate development	--	--	--	--	--	--	1	55	1	11	1	20	(56)
Other individuals	1	232	1	130	1	9	--	--	--	--	--	--	--
Total	**4**	**17,678**	**4**	**3,914**	**14**	**15,417**	**1**	**55**	**2**	**1,124**	**13**	**6,615**	**(1,212)**

	Doubtful									
	Full mortgage loan		Other collateral		Unsecured			**Total**		
	Number of transactions	Gross amount	Number of transactions	Gross amount	Number of transactions	Gross amount	Specific provision	Number of transactions	Gross amount	Specific provision
Spanish general government	--	--	--	--	--	--	--	--	--	--
Other legal entities and individual entrepreneurs	--	--	1	7,237	1	671	(7,908)	37	52,341	(9,120)
Of which: Financing of construction and real estate development	--	--	1	7,237	--	--	(7,237)	4	7,323	(7,293)
Other individuals	--	--	--	--	--	--	--	3	370	--
Total	**--**	**--**	**1**	**7,237**	**1**	**671**	**(7,908)**	**40**	**52,711**	**(9,120)**

35.1.4 Credit risk on real estate development and construction

At 31 December 2015 financing provided for real estate development and construction amounted to Euros 7,237 thousand (Euros 7,410 thousand in 2014), of which Euros 7,237 thousand were classified as "Doubtful assets" (Euros 7,237 thousand in 2014) (consolidated Group data), Total specific provisions at that date amounted to Euros 7,237 thousand (Euros 7,293 thousand in 2014).

The figures above reflect financing extended for real estate development and construction, Consequently, following Bank of Spain instructions, the purpose of the transaction has been taken into account, rather than the debtor's activity, Loans in this table are classified in line with their purpose and not in accordance with the National Classification of Economic Activities (CNAE), As a result, if the debtor is: (a) a real estate company but uses the financing for a purpose other than real estate development or construction, the loan will not be included in these tables, and (b) if the company's principal activity is not real estate development or construction but it uses the loan to finance real estate development, it will be included in the tables.

Quantitative information on real estate credit risk at 31 December 2015 and 2014 is as follows:

	Thousands of Euros					
	Gross amount		Excess over guaranteed amount		Specific provisions	
	2015	2014	2015	2014	2015	2014
Loans recognised by Group credit institutions	7,237	7,410	4,624	4,001	(7,237)	(7,293)
Of which: Doubtful	7,237	7,237	4,624	3,904	(7,237)	(7,237)
Of which: Substandard	--	86	--	58	--	(56)
Defaulted assets	--	--	--	--	--	--

Details of loans and advances to other debtors excluding Spanish general government at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	2014
Total loans and advances to other debtors excluding Spanish general government	380,711	283,441
Total consolidated assets	17,442,750	20,036,284
Impairment allowances and provisions for credit risk, Total collective allowances	(39,625)	(35,539)

Details of credit risk on real estate development and construction by type of related guarantee are as follows:

	Thousands of Euros	
	Loans: Gross amount	
	2015	2014
1. Not secured by collateral	--	62
2. Secured by collateral	7,237	7,348
2.1. Finished buildings	--	--
2.1.1. Homes	--	--
2.1.2. Other	--	--
2.2. Buildings under construction	7,237	7,237
2.2.1. Homes	--	--
2.2.2. Other	7,237	7,237
2.3. Land	--	111
2.3.1. Developed land	--	--
2.3.2. Other land	--	111
Total	**7,237**	**7,410**

Details of home purchase loans extended to individuals are as follows:

	Thousands of Euros			
	2015		2014	
	Gross amount	Of which: Doubtful	Gross amount	Of which: Doubtful
Home purchase loans	65,223	143	66,129	256
Not secured by collateral	1,872	--	1,593	--
Secured by collateral	63,351	143	64,536	256

The following table shows a breakdown of mortgage loans extended to acquire homes at 31 December 2015 and 2014 by percentage of total risk on the latest available appraisal value (LTV):

	2015					
	Rangos de LTV					
	LTV < 40%	40% < LTV < 60%	60% < LTV < 80%	80% < LTV < 100%	LTV > 100%	Totales
Gross amount	11,901	13,095	19,240	8,480	10,635	63,351
Of which Doubtful	13	--	--	--	131	143

	2014					
	Rangos de LTV					
	LTV < 40%	40% < LTV < 60%	60% < LTV < 80%	80% < LTV < 100%	LTV > 100%	Totales
Gross amount	13,224	13,743	16,602	10,512	10,455	64,536
Of which Doubtful	35	--	221	--	--	256

The Group has not recognised any foreclosed assets at 31 December 2015 and 2014.

35.1.5 Assets impaired due to credit risk

Details at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	**2014**
Doubtful assets:		
Loans and receivables (note 8)	9,109	9,161

An ageing analysis of receivables in arrears (past-due and defaults) classified on the basis of the guarantees put up for the transaction is presented in the following table:

	31.12.2015			
	Mortgage	Collateral	Other	Total
Up to 6 months	--	--	16	16
6 to 9 months	--	--	2	2
9 to 12 months	--	--	10	10
Over 12 months	179	--	40	219
Total	**179**	**--**	**68**	**247**

	31.12.2014			
	Mortgage	Collateral	Other	Total
Up to 6 months	221	248	8	477
6 to 9 months	19	--	5	24
9 to 12 months	--	--	6	6
Over 12 months	51	665	29	745
Total	**291**	**913**	**48**	**1,252**

An analysis of debt instruments for which impairment losses have been determined on an individual basis is as follows:

	2015	**2014**
General treatment		
Up to 6 months	1,625	--
Over 12 months	--	672
Transactions secured by real estate collateral		
Over 12 months	7,237	7,237
Total	**8,862**	**7,909**

Impaired assets are analysed periodically. The main factors considered when evaluating impairment on each asset are as follows:

- Analysis of the financial statements
- Analysis of the customer's income statements and payment capacity
- Analysis of cash flow forecasts
- Movements in customer capitalisation
- Changes in debt
- History and analysis of cost structure
- Amounts of guarantees and variation therein
- Any present or future event that could affect the customer's payment capacity

35.1.6. Movement in impairment losses

Movement in impairment losses recognised by the Group in 2015 and 2014 by type of financial asset is as follows:

	Thousands of Euros								
	Balance at 31 December 2013	Net allowances charged to the income statement	Amounts used	Adjustments for exchange differences and other	**Balance at 31 December 2014**	Net allowances charged to the income statement	Amounts used	Adjustments for exchange differences and other	**Balance at 31 December 2015**
Available-for-sale financial assets	**281**	**501**	**--**	**--**	**782**	**4,027**	**(3,900)**	**--**	**909**
Specific	--	--	--	--	--	3,900	(3,900)	--	--
General	281	501	--	--	782	127	--	--	909
Loans and receivables	**36,084**	**8,246**	**(1,124)**	**5**	**43,211**	**4,512**	**(1,583)**	**6**	**46,147**
Specific	8,078	1,726	(1,124)	(5)	8,675	72	(1,094)	--	7,654
General	28,006	6,520	--	10	34,536	4,440	(489)	6	38,493
Contingent exposures and commitments	**552**	**(331)**	**--**	**--**	**221**	**31**	**(20)**	**--**	**232**
Specific	--	5	--	--	5	24	**(20)**	--	9
General	552	(336)	--	--	216	7	--	--	223
Total	**36,917**	**8,416**	**(1,124)**	**5**	**44,214**	**8,570**	**(5,503)**	**6**	**47,288**

Details of specific and general provisions for credit risk, by counterparty and geographical location of risk, are as follows:

	Thousands of Euros			
	Specific		General	
	2015	**2014**	**2015**	**2014**
Counterparty				
Other resident private sectors	7,663	8,680	39,414	35,392
Other non-resident private sectors	--	--	211	147
Total	**7,663**	**8,680**	**39,625**	**35,539**
Geographical location of risk				
Spain	7,663	8,680	39,414	35,392
Europe	--	--	56	--
United States	--	--	155	147
Total	**7,663**	**8,680**	**39,625**	**35,539**

35.1.7. Impaired and derecognised financial assets

Movement in impaired financial assets not recognised in the consolidated balance sheet as their recovery is considered unlikely, although the Group continues its efforts to collect the amounts receivable, is as follows:

	Thousands of Euros	
	2015	**2014**
Opening balance	**6,587**	**7,304**
Additions		
Recognised in impairment allowances	1,094	15
Recognised in the income statement	95	1,079
Past-due income	74	138
Other	132	128
Disposals		
Cash recovery of principal	(148)	(431)
Cash recovery of past due and uncollected products	(3)	(30)
Pardoning of debt	(387)	(1,488)
Other reasons	(72)	(128)
Closing balance	**7,372**	**6,587**

35.2 Liquidity risk

Liquidity risk management consists of ensuring that the Group always has sufficient liquidity to meet its payment commitments associated with the settlement of its liabilities on their respective maturity dates without compromising its capacity to respond rapidly to strategic market opportunities. This function includes obtaining financing in wholesale markets at the lowest possible cost in the medium and long term, with a view to maintaining an optimum level of liquid assets in keeping with the Group's policy of prudence.

In this context, the key to resolving liquidity problems resides in anticipating them and implementing preventive management techniques. The Bank is aware of this and therefore considers both aspects its first line of defence against the potential adverse effects of liquidity shortages on its results, reputation and creditworthiness.

To enable early identification, the Group continually monitors its liquidity position in the short, medium and long term and the performance of the main monetary and capital markets in which it operates. To this end it relies on: (i) a wide range of quantitative and qualitative indicators, (ii) limits and alerts defined on the basis of maximum tolerance to liquidity risk and (iii) the human, technical and operational support required to properly incorporate these indicators as a strategic and risk management input.

With regard to preventive management, the Asset and Liability Committee (ALCO) focuses structural liquidity management on: (i) the balance between positive and negative cash flows over a long time horizon, (ii) the diversification of uses and sources of funding and (iii) the protection of the Bank's ability to finance its growth and meet its payment obligations on the date and in the manner established in the contract at a reasonable cost and without affecting its reputation.

Finally, in terms of anticipation, the Bank has a buffer of liquid assets free of encumbrances that enable it to comfortably cope with situations of severe stress. The quality, relative liquidity and suitability as collateral of the assets that make up the buffer are periodically verified and these assets are subjected to stress tests to determine their ability to cope with extreme situations.

The main metrics currently used to control liquidity and the results of applying them at 31 December 2015 are:

- *Daily liquidity controls*: the Bank continually monitors its intraday liquidity, the eligibility of securities to be pledged as collateral to obtain financing from Banco de España (credit facility) and the sufficiency of its headroom (buffer of available liquid assets) in dealing with short-term cash outflows, among other indicators, This analysis also envisages further stress tests on its portfolio of eligible assets (those pledged as collateral for the Banco de España credit facility and others), subjecting the securities to scenarios of a reduction in their market value, downgrades in rating and loss of eligibility.

- *Liquidity gap*: provides information on cash inflows and outflows in order to detect timing differences between collections and payments, Very conservative behavioural criteria and assumptions have been established for unknown contractual maturities.

The liquidity gap at 31 December 2015 and 2014 is as follows:

	2015							
	Thousands of Euros							
	Demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Total
Assets								
Cash and balances with central banks	229,485	--	--	--	--	--	--	229,485
Loans and advances to credit institutions	320,072	3,301,661	621,943	508,093	4,610,649	7,052	--	9,369,469
Loans and advances to other debtors	62,165	1,281	5,111	381,218	394,576	150,643	349	995,342
Fixed income portfolio	--	143,607	351,413	1,710,915	3,615,258	458,235	--	6,279,427
Other assets	--	50,020	21,252	74,382	109,249	282,337	31,787	569,027
Total assets	**611,721**	**3,496,569**	**999,718**	**2,674,607**	**8,729,732**	**898,267**	**32,136**	**17,442,750**
Liabilities								
Deposits from central banks and credit institutions	3,735,854	3,597,611	123,993	38,873	3,846,505	7,025	--	11,349,861
Deposits from other creditors	661,261	4,248,618	2,987	4,602	3,173	1,309	--	4,921,950
Other liabilities		205,260	20,476	71,666	105,259	272,027	496,251	1,170,939
Total liabilities	**4,397,115**	**8,051,490**	**147,456**	**115,141**	**3,954,937**	**280,361**	**496,251**	**17,442,750**
Simple gap	(3,785,393)	(4,554,921)	852,262	2,559,467	4,774,795	617,906	(464,115)	--
Accumulated gap	(3,785,393)	(8,340,314)	(7,488,052)	(4,928,585)	(153,790)	464,115	--	--

	2014							
	Thousands of Euros							
	Demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undetermined maturity**	**Total**
Assets								
Cash and balances with central banks	266,571	--	--	--	--	--	--	266,571
Loans and advances to credit institutions	402,570	5,587,693	3,265,575	43,177	1,622,158	12,894	--	10,934,067
Loans and advances to other debtors	65,702	82,631	16,823	202,230	517,907	131,512	--	1,016,805
Fixed income portfolio	--	483,510	487,687	2,453,802	3,265,417	498,934	--	7,189,350
Other assets	--	22,334	33,502	55,836	162,910	290,116	64,643	629,341
Total assets	**734,843**	**6,176,168**	**3,803,587**	**2,755,045**	**5,568,392**	**933,456**	**64,643**	**20,036,134**
Liabilities								
Deposits from central banks and credit institutions	5,766,071	7,638,523	3,085,790	44,082	1,286,240	12,839	--	17,833,545
Debt certificates including bonds	--	361,930	--	--	--	--	--	361,930
Deposits from other creditors	511,758	193,056	27,432	11,259	1,302	--	--	744,807
Other liabilities	--	23,191	34,786	57,977	169,156	301,239	509,503	1,095,852
Total liabilities	**6,277,829**	**8,216,700**	**3,148,008**	**113,318**	**1,456,698**	**314,078**	**509,503**	**20,036,134**
Simple gap	(5,542,986)	(2,040,532)	655,579	2,641,727	4,111,694	619,378	(444,860)	--
Accumulated gap	(5,542,986)	(7,583,518)	(6,927,939)	(4,286,212)	(174,518)	444,860	--	--

Liquid assets and issue capacity available at 31 December 2015 are as follows:

	Thousands of Euros
Liquid assets	
Eligible assets (nominal amount)	2,577,913
Eligible assets (market value and ECB cuts)	2,418,286
Of which: Receivables from central governments	2,042,660
Issue capacity	
Mortgage bonds	41,372
Public sector bonds	--
Total	**41,372**

- *Short-term liquidity coverage ratio (LCR):* under the stress scenario defined in Basel III, the 30-day liquidity ratio at 31 December 2015 stood at 129.5%, a level close to that normally seen and over twice the target rate (60%) established for the date of entry into force of this ratio (October 2015).

- *Net Stable Funding Ratio (NSFR):* the Bank maintains a balanced structure in its long-term financing that is adapted to its liquidity profile, At 31 December 2015, the net stable funding ratio was 92%, higher than the target set in Basel III.

Moreover, the Bank has activated a number of alerts and thresholds that are continually monitored, enabling it to foresee any potential liquidity stress and, where necessary, automatically convene the ALCO for an extraordinary or crisis meeting, depending on the situation, The latter initiative is considered in the liquidity risk contingency plan, the Bank's second line of action against potential adverse effects of liquidity shortages, Essentially, this is an action plan with a practical focus that enables the Bank to optimise the timing, cost and form of its response to high-exposure or critical situations and mitigate possible disturbances and impacts on business continuity during such episodes.

35.3 Interest rate exposure

To support management of interest rate risk, the Bank’s Assets and Liabilities Committee uses the repricing gap to analyse the overall time difference between maturity and repricing of assets and liabilities. The repricing gap is calculated by grouping assets and liabilities by their carrying amount based on interest rate repricing dates or by maturity considering the outstanding principal. In the case of callable liabilities for which there is no contractual maturity date, the repricing structure is in line with the historical stability of the balances. The maximum period for demand balances with returns under 0.5% is 2.5 years.

The repricing gaps at 31 December 2015 and 2014 are as follows:

	2015						
	Thousands of Euros						
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undetermined maturity**	**Total**
Assets							
Cash and balances with central banks	229,485	--	--	--	--	--	229,485
Loans and advances to credit institutions	3,256,826	636,934	520,205	4,953,624	1,880	--	9,369,469
Loans and advances to other debtors	45,580	107,831	463,483	330,541	47,906	--	995,342
Fixed income portfolio	186,041	373,064	2,183,947	3,376,092	160,283	--	6,279,427
Other assets	50,020	21,252	74,382	109,249	282,337	31,787	569,027
Total assets	**3,767,952**	**1,139,082**	**3,242,018**	**8,769,505**	**492,406**	**31,787**	**17,442,750**
Liabilities							
Deposits from central banks and credit institutions	3,087,865	1,024,970	2,062,579	5,172,567	1,880	--	11,349,861
Debt certificates including bonds	4,681,601	183,694	43,419	13,236	--	--	4,921,950
Deposits from other creditors	205,260	20,476	71,666	105,259	272,027	496,251	1,170,939
Other liabilities	**7,974,726**	**1,229,140**	**2,177,664**	**5,291,062**	**273,907**	**496,251**	**17,442,750**
Total liabilities							
	2,960,501	(22,063)	(44,199)	(2,786,396)	(107,843)	--	--
Off-balance sheet operations	(1,246,273)	(112,121)	1,020,155	692,047	110,656	(464,464)	--
Simple gap	(1,246,273)	(1,358,394)	(338,239)	353,808	464,464	--	--
Accumulated gap	3,087,865	1,024,970	2,062,579	5,172,567	1,880	--	11,349,861

	2014						
	Thousands of Euros						
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undetermined maturity**	**Total**
Assets							
Cash and balances with central banks	266,571	--	--	--	--	--	266,571
Loans and advances to credit institutions	5,990,263	3,265,575	43,177	1,622,158	12,894	--	10,934,067
Loans and advances to other debtors	130,775	121,900	374,132	351,435	38,563	--	1,016,805
Fixed income portfolio	483,510	487,687	2,453,802	3,265,417	498,934	--	7,189,350
Other assets	22,334	33,502	55,836	162,910	290,116	64,643	629,341
Total assets	**6,893,453**	**3,908,664**	**2,926,947**	**5,401,920**	**840,507**	**64,643**	**20,036,134**
Liabilities							
Deposits from central banks and credit institutions	13,404,594	3,085,790	44,082	1,286,240	12,839	--	17,833,545
Debt certificates including bonds	361,930	--	--	--	--	--	361,930
Deposits from other creditors	522,943	168,886	40,428	12,550	--	--	744,807
Other liabilities	23,191	34,786	57,977	169,156	301,239	509,503	1,095,852
Total liabilities	**14,312,658**	**3,289,462**	**142,487**	**1,467,946**	**314,078**	**509,503**	**20,036,134**
Off-balance sheet operations	3,154,195	(64,031)	(706,395)	(2,289,552)	(94,216)	--	--
Simple gap	(4,265,010)	555,171	2,078,065	1,644,422	432,213	(444,860)	--
Accumulated gap	(4,265,010)	(3,709,839)	(1,631,774)	12,648	444,860	--	--

To measure interest rate risk, the risk control unit simulates the financial margin over a 12-month period under different interest rate scenarios, assuming certain historical conditions relating to growth, spreads, repricing periods, stability of receivables on demand, etc, At 31 December 2015 and 2014, the sensitivity of the financial margin to a 100-basis point parallel displacement of the interest rate curve over a 12-month period is as follows:

	%	
	2015	**2014**
Sensitivity of the financial margin		
+ 100 p.b.	(4.53)	16.63
- 100p.b.	(5.16)	1.2

The interest rate risk is also analysed considering the economic value of equity measured as the effect of changes in the interest rate on the net present value of future expected flows from balance sheet items. The sensitivity of the Bank's economic value to a 100-basis point parallel displacement of the interest rate curve at 31 December 2015 and 2014 is as follows:

	%	
	2015	**2014**
Sensitivity of equity	(4.52)	(4.55)

35.4 Market risk

Market risk is managed through the value at risk methodology (VaR), which limits losses incurred as a result of adverse changes in market prices, Value at risk is calculated on a daily basis for the treasury and capital market area as a whole, irrespective of the nature of the portfolios.

The maximum and average VaR are as follows:

	Thousands of Euros	
	2015	**2014**
Average VaR	1,947	1,636
Maximum VaR	3,595	2,822

Interest rate variations are the Bank's primary risk factor. The distribution by risk factor at 31 December 2015 and 2014 is as follows:

	Distribution(%)	
	2015	**2014**
Interest rate	75.6	80.4
Variable income	24.4	19.6

35.5 Currency risk

Details of the assets and liabilities recognised in the Bank's balance sheet in the most significant currencies at 31 December 2015 and 2014 are as follows:

	Thousands of Euros			
	2015		**2014**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
US Dollar	43,513	64,204	23,497	52,408
Pound Sterling	10,659	12,661	11,217	9,846
Swiss Franc	327	288	1,288	1,232
Norwegian Krone	213	211	208	180
Swedish Krona	26	25	247	71
Canadian Dollar	11,040	886	432	400
Danish Krone	593	591	25	15
Japanese Yen	47	28	406	90
Other	2,137	634	972	504
Total	**68,555**	**79,527**	**38,292**	**64,746**

A breakdown of the main foreign currency balances, based on the nature of the items, is as follows:

	Thousands of Euros	
	2015	**2014**
Assets		
Loans and advances to credit institutions	49,392	32,766
Loans and advances to other debtors	8,475	5,395
Debt securities	10,144	--
Other assets	544	131
Total	**68,555**	**38,292**
Liabilities		
Loans and advances to credit institutions	71,411	62,474
Deposits from other creditors	7,605	2,205
Other liabilities	511	67
Total	**79,527**	**64,746**

35 .6 Risk concentration

Risk concentration is defined as a risk that could affect the Group's consolidated income statement and its consolidated equity as a result of holding financial instruments of similar characteristics, which could therefore be similarly affected by economic or other types of changes.

The Group has established policies to limit the Group's exposure to certain risks. These policies are defined in coordination with other risk management policies and as part of the Entity's strategic plan. Risk concentration is measured and limits established considering the different risks to which the Group is exposed, taking into account the nature and rating of the different financial instruments of the Group, analysed at different levels (Entity, Group, sector, country, etc.).

The carrying amount of the different financial instruments is used to measure risk concentration.

In addition to information provided in preceding notes to the accompanying annual accounts regarding concentration by foreign currency, type of counterparty and credit rating of financial assets exposed to credit risks, details of the carrying amount of the most significant financial assets (deposits in credit institutions, loans and advances to other debtors, debt securities, equity instruments and trading derivatives) classified by geographical area, counterparty, purpose and segment of activity held by the Bank at 31 December 2015 and 2014 are as follows:

	2015				
	Thousands of Euros				
	Total	**Spain**	**Rest of the European Union**	**Americas**	**Rest of world**
Credit institutions	10,322,113	10,113,381	189,355	--	19,377
Spanish general government	6,127,127	6,127,127	--	--	--
Central government	6,049,722	6,049,722	--	--	--
Other	77,405	77,405	--	--	--
Other financial institutions	493,863	437,126	49,812	6,926	--
Non-financial companies and individual entrepreneurs	250,610	238,823	9,437	1,086	1,264
Construction and real estate development	--	--	--	--	--
Civil works	25,931	25,931	--	--	--
Other	224,678	212,891	9,437	1,086	1,264
Large companies	118,378	106,595	9,433	1,086	1,264
SMEs and individual entrepreneurs	106,301	106,297	4	--	--
Other households and non-profit institutions serving households	89,178	89,061	113	--	3
Homes	65,793	65,684	109	--	--
Consumer	3,328	3,327	--	--	--
Other	20,057	20,050	4	--	3
SUBTOTAL	**17,282,891**	**17,005,518**	**248,717**	**8,012**	**20,644**
Less: Impairment of assets not allocated to specific operations,	(35,613)	--	--	--	--
TOTAL	**17,247,278**	--	--	--	--

	2014				
	Thousands of Euros				
	Total	**Spain**	**Rest of the European Union**	**Americas**	**Rest of world**
Credit institutions	11,347,025	11,304,565	38,704	--	3,756
Spanish general government	7,306,309	7,306,309	--	--	--
Central government	7,241,837	7,241,837	--	--	--
Other	64,472	64,472	--	--	--
Other financial institutions	419,766	401,559	18,117	90	--
Non-financial companies and individual entrepreneurs	691,320	684,360	4,873	2,087	--
Construction and real estate development	327	327	--	--	--
Civil works	26,109	25,907	202	--	--
Other	664,884	658,126	4,671	2,087	--
Large companies	200,374	195,883	2,404	2,087	--
SMEs and individual entrepreneurs	464,510	462,243	2,267	--	--
Other households and non-profit institutions serving households	99,260	99,257	3	--	--
Homes	67,068	67,068	--	--	--
Consumer	2,825	2,825	--	--	--
Other	29,367	29,364	3	--	--
SUBTOTAL	**19,863,680**	**19,796,050**	**61,697**	**2,177**	**3,756**
Less: Impairment of assets not allocated to specific operations,	(34,219)	--	--	--	--
TOTAL	**19,829,461**	--	--	--	--

The classification by geographical area and business segment in Spain at 31 December 2015 is presented below:

RISK CONCENTRATION BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA AT 31 DECEMBER 2015

	Thousands of Euros									
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Cataluña**
Credit institutions	10,113,381	755,682	8,710	4,385	304,295	86,955	3,696,253	685,974	472,080	--
Spanish general government	6,127,127	1,633	303	--	8,864	5,839	1,373	4,036	57	--
Central government	6,049,722	--	--	--	--	--	--	--	--	--
Other	77,405	1,633	303	--	8,864	5,839	1,373	4,036	57	--
Other financial institutions	437,126	--	--	--	--	--	58,321	--	112,986	527
Non-financial companies and individual entrepreneurs	238,823	8,277	10,802	1,980	4,000	7	33,912	2,288	6,257	15,775
Construction and real estate development										
Civil works	25,931	2,238	27	--	--	--	1,700	--	--	--
Other	212,891	6,039	10,775	1,980	4,000	7	32,212	2,288	6,257	15,775
Large companies	106,595	969	--	1,980	4,000	--	30,712	2,214	0	6,296
SMEs and individual entrepreneurs	106,297	5,070	10,775	--	--	7	1,500	74	6,257	9,479
Other household loans and non-profit institutions serving households	89,061	656	127	173	3	5	132	1,020	360	2,904
Homes	65,684	142	114	130	--	--	--	934	299	348
Consumer	3,327	98	13	37	3	5	8	75	58	41
Other	20,050	416	--	6	--	--	124	11	4	2,516
SUBTOTAL	**17,005,518**	**766,248**	**19,942**	**6,538**	**317,162**	**92,806**	**3,789,991**	**693,318**	**591,740**	**19,206**

	Thousands of Euros								
	Extremadura	Galicia	Madrid	Murcia	Navarra	C, Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit institutions	2,295	12,077	4,040,244	292	--	36,333	7,806	--	2,295
Spanish general government	1	--	55,299	--	--	--	--	--	1
Central government	--	--	--	--	--	--	--	--	--
Other	1	--	55,299	--	--	--	--	--	1
Other financial institutions	--	--	265,291	--	--	--	--	--	--
Non-financial companies and individual entrepreneurs	6	3,529	136,516	6,957	67	3,576	4,852	22	6
Construction and real estate development	--	--	--	--	--	--	--	--	--
Civil works	--	--	21,966	--	--	--	--	--	--
Other	6	3,529	114,550	6,957	67	3,576	4,852	22	6
Large companies	0	2,126	52,922	1,632	--	1,816	1,929	--	--
SMEs and individual entrepreneurs	6	1,403	61,628	5,325	67	1,760	2,923	22	6
Other household loans and non-profit institutions serving households	9	124	82,133	65	7	629	10	704	9
Homes	--	64	63,275	54	--	168	--	154	--
Consumer	9	42	2,882	10	7	30	10	--	9
Other	--	18	15,977	--	--	430	--	549	--
SUBTOTAL	**2,310**	**15,730**	**4,579,485**	**7,314**	**74**	**40,537**	**12,668**	**726**	**2,310**

RISK CONCENTRATION BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA AT 31 DECEMBER 2014

	Thousands of Euros									
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Cataluña**
Credit institutions	11,293,857	2,501,521	729,651	186,994	--	59,526	4,969	444,176	294,150	79,647
Spanish general government	7,299,462	14,357	5,940	--	--	--	--	9,307	6,978	4
Central government	7,234,990	--	--	--	--	--	--	--	--	--
Other	64,472	14,357	5,940	--	--	--	--	9,307	6,978	4
Other financial institutions	398,120	--	--	--	--	--	--	--	--	38
Non-financial companies and individual entrepreneurs	694,117	10,287	27	88	--	--	--	2,815	74	24,956
Construction and real estate development	327	--	--	--	--	--	--	--	--	--
Civil works	25,907	2,687	27	22	--	--	--	22	--	--
Other	667,883	7,600	--	66	--	--	--	2,793	74	24,956
Large companies	195,883	1,937	--	66	--	--	--	2,569	--	8,440
SMEs and individual entrepreneurs	472,000	5,663	--	--	--	--	--	224	74	16,516
Other household loans and non-profit institutions serving households	99,257	329	129	159	1	4,869	4	1,008	820	2,296
Homes	67,068	130	119	138	--	--	--	933	473	370
Consumer	2,825	25	9	11	1	5	4	65	43	29
Other	29,364	174	1	10	--	4,864	--	10	304	1,897
SUBTOTAL	**19,784,813**	**2,526,494**	**735,747**	**187,241**	**1**	**64,395**	**4,973**	**457,306**	**302,022**	**106,941**

	Thousands of Euros								
	Extremadura	Galicia	Madrid	Murcia	Navarra	C, Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit institutions	345,026	18,042	4,868,484	412	1,309,213	370,396	81,650	--	--
Spanish general government	1,072	11,574	2,792	6,424	--	6,024	--	--	--
Central government	--	--	--	--	--	--	--	--	--
Other	1,072	11,574	2,792	6,424	--	6,024	--	--	--
Other financial institutions	--	--	396,703	--	--	--	1,379	--	--
Non-financial companies and individual entrepreneurs	23	4,777	639,066	5,493	--	2,694	3,817	--	--
Construction and real estate development	--	--	327	--	--	--	--	--	--
Civil works	--	--	23,052	--	--	96	1	--	--
Other	23	4,777	615,687	5,493	--	2,598	3,816	--	--
Large companies	--	3,242	174,509	4,641	--	7	472	--	--
SMEs and individual entrepreneurs	23	1,535	441,178	852	--	2,591	3,344	--	--
Other household loans and non-profit institutions serving households	3	120	88,619	64	--	466	--	370	--
Homes	--	73	64,593	61	--	178	--	--	--
Consumer	3	35	2,578	3	--	14	--	--	--
Other	--	12	21,448	--	--	274	--	370	--
SUBTOTAL	**346,124**	**34,513**	**5,995,664**	**12,393**	**1,309,213**	**379,580**	**86,846**	**370**	**--**

Sovereign debt risk

At 31 December 2015 and 2014 the Group's only sovereign debt risk related to the Spanish government.

36 Responsible lending

Banco Cooperativo Español, S,A, has adopted best practices for responsible lending to consumers, and it has the related policies and procedures in place, thereby complying with the provisions of Ministry of Economy and Finance Order EHA/2899/2011 of 28 October 2011 on transparency and protection of banking services customers and responsible lending, Specifically, the policies on commercial banking risk and the specific regulations derived therefrom stipulate the policies, methods and procedures for responsible granting of consumer loans and credit.

Pursuant to Banco de España Circular 3/2014 of 30 July 2014, a summary of the aforementioned policies adopted by Banco Cooperativo Español, S.A. on commercial banking risk is provided below:

- The need to tailor payment plans to revenue sources;
- Requirements for evaluating payment capacity;
- The need to take into account the borrower’s foreseeable level of income at retirement;
- The need to consider existing financial payment obligations;
- Where appropriate for commercial reasons or due to the type of rate/currency, offering to include hedging clauses or arrange interest and exchange rate hedges in transactions with borrowers;
- The need, when collateral is pledged, to establish a prudent relationship between the amount of the loan and potential extensions, and the value of the collateral pledged, without taking into account any revaluations of the latter;
- The need to exercise extreme prudence in the use of appraisal values for credit transactions in which real estate assets are pledged as collateral in addition to the borrower’s personal guarantee;
- The periodic review of the value of collateral pledged to secure the loans granted;
- Several management elements to ensure the appraisal company’s independence;
- The need to warn customers of the potential consequences of persistent non-payment in terms of late payment interest and other expenses;
- The criteria for debt renegotiation (refinancing and restructuring);
- The minimum documentation required in transactions for the granting thereof and during the period they are current.

Banco Cooperativo Español, S.A. has the following mechanisms in place to control the effective monitoring of the aforementioned policies:

- Computer validation and controls incorporated into the workflow for analysis, decision-making and arrangement of transactions for the purpose of embedding these management principles;

- Alignment of product catalogue specifications and responsible lending policies;

- Different penalties to ensure appropriate levels of contrasting of decisions in accordance with the complexity of the transaction;

- A reporting framework for monitoring the correct application of responsible lending policies.

Appendix I,a, - BANCO COOPERATIVO ESPAÑOL, S,A, – Balance sheets at 31 December 2015 and 2014

(in thousands of Euros)

ASSETS	2015	2014
1. CASH AND BALANCES WITH CENTRAL BANKS	229,485	266,571
2. FINANCIAL ASSETS HELD FOR TRADING	2,792,309	3,656,104
2.1. Loans and advances to credit institutions	-	-
2.2. Loans and advances to other debtors	-	-
2.3. Debt securities	2,294,463	3,091,107
2.4. Equity instruments	-	297
2.5. Trading derivatives	497,846	564,700
Memorandum item: Loaned or pledged	2,083,853	1,574,286
3. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
3.1. Loans and advances to credit institutions	-	-
3.2. Loans and advances to other debtors	-	-
3.3. Debt securities	-	-
3.4. Equity instruments	-	-
Memorandum item: Loaned or pledged	-	-
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	3,803,569	3,889,224
4.1. Debt securities	3,790,114	3,866,428
4.2. Equity instruments	13,455	22,796
Memorandum item: Loaned or pledged	3,442,294	2,424,087
5. LOANS AND RECEIVABLES	10,419,269	12,018,684
5.1. Loans and advances to credit institutions	8,704,491	10,550,241
5.2. Loans and advances to other debtors	1,656,959	1,398,157
5.3. Debt securities	57,819	70,286
Memorandum item: Loaned or pledged	49,145	-
6. HELD-TO-MATURITY INVESTMENTS	115,454	143,988
Memorandum item: Loaned or pledged	51,150	57,374
7. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
8. HEDGING DERIVATIVES	23	-
9. NON-CURRENT ASSETS HELD FOR SALE	-	-
10. EQUITY INVESTMENTS	11,256	11,452
10.1. Associates	-	-
10.2. Jointly controlled entities	-	-
10.3. Group entities	11,256	11,452
11. INSURANCE CONTRACTS LINKED TO PENSIONS	-	-
13. TANGIBLE ASSETS	1,710	1,634
13.1. Tangible assets	1,710	1,634
13.1.1. For own use	1,710	1,634
13.1.2. Leased out under operating leases	-	-
13.1.3. Assigned to welfare projects (savings banks and credit cooperatives)	-	-
13.2. Investment property	-	-
Memorandum item: Acquired under a finance lease	-	-
14. INTANGIBLE ASSETS	1,393	1,562
14.1. Goodwill	-	-
14.2. Other intangible assets	1,393	1,562
15. TAX ASSETS	33,145	15,447
15.1. Current	5,692	1,886
15.2. Deferred	27,453	13,561
16. OTHER ASSETS	3,123	2,877
TOTAL ASSETS	**17,410,736**	**20,007,543**

LIABILITIES AND EQUITY	2015	2014
LIABILITIES		
1. FINANCIAL LIABILITIES HELD FOR TRADING	625,034	554,519
1.1. Deposits from central banks	-	-
1.2. Deposits from credit institutions	-	-
1.3. Deposits from other creditors	-	-
1.4. Debt certificates including bonds	-	-
1.5. Trading derivatives	430,012	553,017
1.6. Short positions	195,022	1,502
1.7. Other financial liabilities		
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	4,731	4,731
2.1. Deposits from central banks	-	-
2.2. Deposits from credit institutions	4,731	4,731
2.3. Deposits from other creditors	-	-
2.4. Debt certificates including bonds	-	-
2.5. Subordinated liabilities	-	-
2.6. Other financial liabilities	-	-
3. FINANCIAL LIABILITIES AT AMORTISED COST	16,281,370	18,993,015
3.1. Deposits from central banks	4,672,671	9,128,132
3.2. Deposits from credit institutions	6,674,632	8,703,568
3.3. Deposits from other creditors	4,923,003	746,583
3.4. Debt certificates including bonds	-	361,930
3.5. Subordinated liabilities	-	-
3.6. Other financial liabilities	11,063	52,802
4. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
5. HEDGING DERIVATIVES	49,654	33,332
6. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
8. PROVISIONS	232	221
8.1. Provisions for pensions and similar obligations	-	-
8.2. Provisions for taxes and other legal contingencies	-	-
8.3. Provisions for contingent exposures and commitments	232	221
8.4. Other provisions	-	-
9. TAX LIABILITIES	6,020	9,808
9.1. Current	475	439
9.2. Deferred	5,544	9,369
10. WELFARE FUNDS	-	-
11. OTHER LIABILITIES	39,427	33,761
12. CAPITAL REFUNDABLE ON DEMAND	-	-
TOTAL LIABILITIES	**17,006,468**	**19,629,387**
EQUITY		
1. SHAREHOLDERS' EQUITY	394,822	359,450
1.1. Share capital or assigned capital	99,036	91,009
1.1.1. Registered	99,036	91,009
1.1.2. Less: Uncalled capital (-)	-	-
1.2. Share premium	85,972	85,972
1.3. Reserves	174,427	137,053
1.4. Other equity instruments	-	-
1.4.1. Equity component of compound financial instruments	-	-
1.4.2. Non-voting equity units and associated funds (savings banks only)	-	-
1.4.3. Other equity instruments	-	-
1.5. Less: Treasury shares	-	-
1.6. Profit for the year	35,387	45,416
1.7. Less: Dividends and remuneration	-	-
2. VALUATION ADJUSTMENTS	9,445	18,706
2.1. Available-for-sale financial assets	9,437	18,706
2.2. Cash flow hedges	8	-
2.3. Hedges of net investments in foreign operations	-	-
2.4. Exchange differences	-	-
2.5. Non-current assets held for sale	-	-
2.7. Other valuation adjustments	-	-
TOTAL EQUITY	**404,267**	**378,156**
TOTAL LIABILITIES AND EQUITY	**17,410,736**	**20,007,543**
MEMORANDUM ITEM		
1. CONTINGENT EXPOSURES	**88,488**	**98,772**
2. CONTINGENT COMMITMENTS	**182,652**	**181,687**

Appendix I.b.

Banco Cooperativo Español, S.A.

Income statements for the years ended 31 December 2015 and 2014

(in thousands of Euros)	2015	2014
1. INTEREST AND SIMILAR INCOME	102,643	215,441
2. INTEREST EXPENSE AND SIMILAR CHARGES	39,956	145,859
3. EQUITY REFUNDABLE ON DEMAND	-	-
A) INTEREST MARGIN	62,687	69,582
4. DIVIDEND INCOME	2,494	3,402
6. FEE AND COMMISSION INCOME	17,997	16,619
7. FEE AND COMMISSION EXPENSE	8,578	7,097
8. GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (NET)	10,902	9,612
8.1. Financial assets held for trading	6,992	5,651
8.2. Other financial instruments at fair value through profit or loss	-	-
8.3. Financial instruments not carried at fair value through profit or loss	4,160	3,961
8.4. Other	(250)	-
9. EXCHANGE DIFFERENCES (NET)	696	290
10. OTHER OPERATING INCOME	1,112	1,006
11. OTHER OPERATING EXPENSES	9,092	223
B) GROSS MARGIN	78,219	93,191
12. ADMINISTRATIVE EXPENSES	20,594	19,642
12.1. Personnel expenses	13,060	12,262
12.2. Other administrative expenses	7,534	7,380
13. DEPRECIATION AND AMORTISATION	1,110	1,103
14. PROVISIONING EXPENSE (NET)	31	(303)
15. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	7,919	9,266
15.1. Loans and receivables	3,965	8,882
15.2. Other financial instruments not carried at fair value through profit or loss	3,954	384
C) PROFIT ON OPERATING ACTIVITIES	48,565	63,483
16. IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	-	-
16.1. Goodwill and other intangible assets	-	-
16.2. Other assets	-	-
17. GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	(1)	-
18. NEGATIVE DIFFERENCES ON BUSINESS COMBINATIONS	-	-
19. GAINS/(LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	-	-
D) PROFIT BEFORE TAX	48,564	63,483
20. INCOME TAX	13,177	18,067
21. MANDATORY TRANSFER TO WELFARE FUNDS	-	-
E) PROFIT FROM CONTINUING OPERATIONS	35,387	45,416
22. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (NET)	-	-
F) PROFIT FOR THE YEAR	35,387	45,416
EARNINGS PER SHARE (Euros)	21.48	29.99

Appendix I.c.

STATEMENT OF RECOGNISED INCOME AND EXPENSE for the years ended 31 December 2015 and 2014

(in thousands of Euros)	2015	2014
A) PROFIT FOR THE YEAR	35,386	45,416
B) OTHER RECOGNISED INCOME AND EXPENSE	(9,261)	14,063
1. Available-for-sale financial assets	(13,241)	20,090
1.1. Revaluation gains/(losses)	(9,089)	16,996
1.2. Amounts transferred to the income statement	(4,152)	3,094
1.3. Other reclassifications	-	-
2. Cash flow hedges	11	-
2.1. Revaluation gains/(losses)	11	-
2.2. Amounts transferred to the income statement	-	-
2.3. Amounts transferred to the initial carrying amount of hedged items	-	-
2.4. Other reclassifications	-	-
3. Hedges of net investments in foreign operations	-	-
3.1. Revaluation gains/(losses)	-	-
3.2. Amounts transferred to the income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	-	-
4.1. Revaluation gains/(losses)	-	-
4.2. Amounts transferred to the income statement	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	-	-
5.1. Revaluation gains/(losses)	-	-
5.2. Amounts transferred to the income statement	-	-
5.3. Other reclassifications	-	-
6. Actuarial gains/(losses) on pension plans	-	-
8. Other recognised income and expense	-	-
9. Income tax	3,969	(6,027)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	26,126	59,479

Appendix I.d.

STATEMENT OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2014 and 2013

(in thousands of Euros)	SHAREHOLDERS' EQUITY								VALUATION ADJUSTMENTS		TOTAL EQUITY
			RESERVES								
	Share capital or assigned capital	Share premium	Revaluation reserves	Other reserves /(losses)	Total reserves	Profit for the year	Less: dividends and remuneration	Total shareholders' equity	Available-for-sale financial assets	Other valuation adjustments	
1. Closing balance at 31 December 2013	91,009	85,972	162	106,685	106,847	42,472	-	326,034	4,643	4,643	330,677
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	(266)	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	91,009	85,972	162	106,685	106,847	42,206	-	326,034	4,643	4,643	330,677
3. Total recognised income and expense	-	-	-	-	-	45,416	-	45,416	14,063	14,063	59,479
4. Other changes in equity	-	-	(1)	30,207	30,206	(42,206)	-	(12,000)	-	-	(12,000)
4.1 Increases in share capital/assigned capital	-	-	-	-	-	-	-	-	-	-	-
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-
4.4 Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends/shareholder remuneration	-	-	-	(12,000)	(12,000)	-	-	(12,000))	-	-	(12,000)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	(1)	42,207	42,207	(42,206)	-	-	-	-	-
4.10 Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretional contributions to welfare funds (savings banks and credit cooperatives only)	-	-	-	-	-	-	- -	-	-	-	-
4.12 Equity-settled payments	-	-	-	-	-	-	-	-	-	-	-
4.13 Other equity increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-
5. Closing balance at 31 December 2014	91,009	85,972	161	136,892	137,053	45,416	- -	359,450	18,706	18,706	378,156

Appendix I.d.

STATEMENT OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2015 and 2014

(in thousands of Euros)	SHAREHOLDERS' EQUITY								VALUATION ADJUSTMENTS		TOTAL EQUITY
			RESERVES								
	Share capital or assigned capital	Share premium	Revaluation reserves	Other reserves /(losses)	Total reserves	Profit for the year	Less: dividends and remuneration	Total shareholders' equity	Available-for-sale financial assets	Other valuation adjustments	
1. Closing balance at 31 December 2014	91,009	85,972	161	136,892	106,847	42,472	-	359,450	18,706	-	378,157
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	(266)	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	91,009	85,972	161	136,892	106,847	42,206	-	359,450	18,706)	-	378,157
3. Total recognised income and expense	-	-	-	-	-	45,416	-	35,387	(9,269)	8	26,126
4. Other changes in equity	8,027	-	(1)	37,375	30,206	(42,206)	-	(15)	-	-	-
4.1 Increases in share capital/assigned capital	8,027	-	-	(8,027)	-	-	-	-	-	-	-
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-
4.4 Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends/shareholder remuneration	-	-	-	(15)	(15)	-	-	(15)	-	-	(15)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	(1)	45,417	45,416	(45,416)	-	-	-	-	-
4.10 Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretional contributions to welfare funds (savings banks and credit cooperatives only)	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity-settled payments	-	-	-	-	-	-	-	-	-	-	-
4.13 Other equity increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-
5. Closing balance at 31 December 2015	99,036	85,972	160	174,268	174,427	35,387	-	394,822	9,437	8	404,267

Appendix I.e.

STATEMENTS OF CASH FLOWS for the years ended 31 December 2015 and 2014

(in thousands of Euros)	2015	2014
A), CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(60,597)	(146,382)
1. Profit for the year	35,387	45,416
2. Adjustments to obtain cash flows from operating activities	22,207	28,787
2.1. Depreciation and amortisation	1,110	1,103
2.2. Other adjustments	21,097	27,684
3. Net increase in operating assets	2,531,661	4,085,318
3.1. Financial assets held for trading	863,795	1,276,847
3.2. Other financial assets at fair value through profit or loss	-	-
3.3. Available-for-sale financial assets	76,394	1,915,019
3.4. Loans and receivables	1,591,496	4,723,490
3.5. Other operating assets	(23)	-
4. Net increase in operating liabilities	(2,624,808)	(4,290,520)
4.1. Financial liabilities held for trading	70,515	126,656
4.2. Other financial liabilities at fair value through profit or loss	-	4,731
4.3. Financial liabilities at amortised cost	(2,711,645)	(4,449,488)
4.4. Other operating liabilities	16,322	27,315
5. Income tax paid	(25,044)	(15,117)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	9,769	230,206
6. Payments	(18,961)	(1,395)
6.1. Tangible assets	(366)	(193)
6.2. Intangible assets	(651)	(1,199)
6.3. Equity investments	-	(3)
6.4. Other business units	-	-
6.5. Non-current assets and associated liabilities held for sale	-	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments relating to investing activities	(17,944)	-
7. Collections	28,730	231,601
7.1. Tangible assets	-	-
7.2. Intangible assets	-	-
7.3. Equity investments	196	-
7.4. Other business units	-	-
7.5. Non-current assets and associated liabilities held for sale	-	-
7.6. Held-to-maturity investments	28,534	225,844
7.7. Other payments relating to investing activities	-	5,757
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	13,741	(1,790)
8. Payments	(15)	(12,000)
8.1. Dividends	(15)	(12,000)
8.2. Subordinated liabilities	-	-
8.3. Redemption of own equity instruments	-	-
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments relating to financing activities	-	-
9. Collections	13,757	10,210
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of own equity instruments	-	-
9.4 Other collections relating to financing activities	13,757	10,210
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(37,086)	82,034
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	266,571	184,537
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	229,485	266,571
MEMORANDUM ITEM		
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
1.5. Cash	844	802
1.6. Cash equivalents at central banks	228,641	265,769
1.7. Other financial assets	-	-
1.8. Less: Bank overdrafts repayable on demand	-	-
Total cash and cash equivalents at end of the year	229,485	266,571

This Appendix forms an integral part of Note 1 to the consolidated annual accounts for 2015, in conjunction with which it should be read.

Appendix II

Fully consolidated subsidiaries

31.12.2015			% ownership			Thousands of Euros			
Company	Registered offices	Activity	Direct	Indirect	Amount of interest	Capital and reserves	Total assets	Profit	Revenues
Rural Informática. S.A.	Madrid	IT services	99.8	0.2	6,822	11,062	559,636	2,359	3,126
Gescooperativo. S.A. S.G.I.I.C.	Madrid	Collective investment management	--	100	1,893	10,561	18,931	3,382	6,283
Rural Inmobiliario. S.L.	Madrid	Real-estate holding	100	--	3,486	9,891	131,447	224	766
BCE Formación. S.A.	Madrid	Training services	100	--	60	557	991	218	801
Espiga Capital Gestión. S.G.E.C.R. SA.	Madrid	Venture capital management	80	--	288	362	352	(9)	--
Rural Renting. S.A.	Madrid	Financing services	100	--	600	1,136	3,244	37	140

31.12.2014			% ownership			Thousands of Euros			
Company	Registered offices	Activity	Direct	Indirect	Amount of interest	Capital and reserves	Total assets	Profit	Revenues
Rural Informática. S.A.	Madrid	IT services	99.8	0.2	6,822	12,662	338,064	2,400	3,613
Gescooperativo. S.A. S.G.I.I.C.	Madrid	Collective investment management	--	100	1,893	9,958	16,793	2,603	5,211
Rural Inmobiliario. S.L.	Madrid	Real-estate holding	100	--	3,486	9,715	71,323	176	767
BCE Formación. S.A.	Madrid	Training services	100	--	60	518	798	119	570
Espiga Capital Gestión. S.G.E.C.R. SA.	Madrid	Venture capital management	80	--	481	784	828	10	947
Rural Renting. S.A.	Madrid	Financing services	100	--	600	1,117	3,534	19	112
Espiga Asesoramiento S.L.	Madrid	Other services	100	--	3	2	2	(2)	(1)

Appendix II forms an integral part of note 1 to the consolidated annual accounts for 2015, in conjunction with which it should be read.

Appendix III

Information on the Banco Cooperativo Español Group pursuant to Article 87 of Law 10/2014 of 26 June 2014

ANNUAL BANKING REPORT

This information has been prepared to fulfil the provisions of Article 87 and the twelfth transitional provision of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions published in the Official State Gazette ("BOE") on 27 June 2014, which transposes into Spanish Law Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In accordance with the aforementioned legislation, as from 1 July 2014 credit institutions are required to publish the following consolidated information for the last full reporting period, broken down by the countries in which they are established:

a) Name, nature and geographical location of the activity.

b) Volume of business.

c) Number of FTE employees.

d) Profit before tax.

e) Income tax.

f) Government grants and subsidies received.

Pursuant to the foregoing, the aforementioned required information is detailed below:

a) Name, nature and geographical location of the activity

Banco Cooperativo Español, S.A. was incorporated on 31 July 1990 in a public deed attested by Madrid notary public Mr, Francisco Lucas Fernández, recorded as entry 2656 in his notarial record book and filed at the Madrid Mercantile Registry on 7 September 1990.

The Bank has its registered office in Madrid, at calle Virgen de los Peligros, 4 and 6, where public information on the company is available for consultation. The by-laws may be viewed at the Madrid Mercantile Registry and at the offices of the Bank's legal counsel.

The by-laws stipulate the activities in which the Bank may engage; these comprise activities typical of credit institutions, specifically those that comply with the provisions of Law 26/1988 of 29 July 1988 on discipline and intervention in credit institutions.

In addition to the transactions it carries out directly, the Bank is the parent of a group of subsidiaries that engage in various activities (see Appendix II to the Group's consolidated annual accounts) and which, together with the parent, constitute the Banco Cooperativo Español Group. As a result, the Bank is required to prepare the consolidated annual accounts of the Group in addition to its own individual annual accounts.

The consolidated Group conducts its business in Spain.

b) Volume of business and number of FTE employees

Information on Banco Cooperativo Español Group's volume of business and FTE employees at the 2015 close is shown below, together with explanatory notes on the basis of presentation of this information.

- Volume of business: Euros 84 million.
- FTE employees: 217.

For purposes of this report, the volume of business is considered to be the gross margin, as defined and presented in the consolidated income statement that forms part of the Group's consolidated annual accounts.

c) Profit before tax and Income tax

The accompanying consolidated income statement of the Banco Cooperativo Español Group for the year ended 31 December 2015 shows profit before tax of Euros 52,138 thousand and an income tax expense of Euros 14,781 thousand.

d) Government grants and subsidies received

The Banco Cooperativo Español Group received no public aid in 2015 or previously.

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

Directors' Report

This directors' report summarises the activity carried out by the Banco Cooperativo Español Group from 1 January to 31 December 2015, the Bank's twenty-fourth year since its incorporation in July 1990.

1. Position of the Entity

1.1 Description

Banco Cooperativo Español is a financial group that performs the role of banking headquarters for its associated rural savings banks. As such, considering the particular characteristics of the business activity carried out and the varying requirements of its customers, the Group has adopted a segmented structure that facilitates business activities while increasing the quality of services and improving cost efficiency. The shareholder savings banks engage in traditional banking activities and, therefore, the main objective of Banco Cooperativo Español is to assist these savings banks in achieving a leading position in the market, taking advantage of synergies and the competitive advantage derived from their association.

At 31 December 2015 the Group had assets totalling Euros 17,443 million, shareholders' equity of Euros 421 million and 217 employees.

Within the Group's organisational structure, the board of directors has the greatest decision-making power and the most extensive authority in managing the Company, except in matters to be approved by the shareholders, Its main function is oversight of the Group and it delegates routine management tasks to the executive bodies and the management team.

The members of the board of directors do not have executive powers.

The Group primarily operates in Spain and its activities are structured into the following business areas:

- **Treasury and Capital Markets Area**:
  - The particular characteristics of the Bank as a provider of wholesale services mean that the Money Markets and Foreign Currency Area generates the greatest volume of business and is where the Bank makes its presence felt.
  - The Capital Markets Area is responsible for the design, structure and placement of fixed and variable income securities transactions both in Spain and abroad, flotations and privatisations, syndicated loans in Spain and abroad and balance sheet hedging operations of the rural savings banks.

- **Retail Banking**: provides financial services to individuals and businesses with the basic aim of meeting their requirements through a comprehensive offering of products and services, providing the possibility of arranging services and performing operations through various means (branch offices, internet banking, telephone banking, mobile banking, ATMs, etc,), As these products and financial services are the cornerstone of our savings banks' relationship with their customers, the Bank has focused the activity of the various units engaged in retail banking on developing, promoting and fostering these products in order to increase the volume and profitability of their business and of Banco Cooperativo Español itself through its two branch offices in Madrid.

- **Corporate Banking**: the Bank follows two basic lines of action in the provision of services to active companies and institutions: commercial support; arranging contracts with customers either individually or in conjunction with the savings banks; and acting as advisor or promoter for the development of new products, commercial undertakings or any initiatives to improve the commercial capacity of this customer segment.

- **Private Banking**: comprised of two distinct business lines:

  - Own business: this area renders services to the Bank's own private banking customers and engages in attracting new customers.

  - Savings bank business: the main aim is to provide support to the shareholder rural savings banks.

- **International Area**: facilitates access by the rural savings banks and the Bank itself to international payment systems and to cooperation and service provision agreements that enable access to the global economy.

The Group also has various support units such as Human Resources, Organisation and Technology, General Secretaries' Offices and Legal Advisory, Operations, Analysis Services, General Audit and Risks and Internal Audit.

1.2 Business model

The basic pillars of Banco Cooperativo's business model are as follows:

- Banco Cooperativo, as head of banking services for rural savings banks, aims to achieve sustained and profitable growth with the basic objectives of rendering quality services to its shareholder savings banks, strengthening its business and focusing its own activity on the wholesale and corporate banking areas.

- The global risk profile of the Banco Cooperativo Group is low, Most notably it has high capital ratios, estimated profit volatility at the lower end of available benchmarks, low risk exposure (derived mainly from its activity in capital markets) and a robust liquidity position.

- Commercial focus on shareholder savings banks and end customers, professional and speedy decision-making and extensive use of information technology.

- Active management of intellectual capital, training, motivation and development of employees, The employees of the Banco Cooperativo Group are a cornerstone of the business model.

The Group's activity is subject to the same risks as that of other financial institutions, which can give rise to adverse consequences, Activity is conditioned by other factors such as strong competition, market volatility, the cyclical nature of certain business activities, losses due to litigation and other factors that impact negatively on the Group's profitability and solvency.

A description of these and other specific risks related to banking activity, such as credit, liquidity, market risks, etc., is provided in note 35.

2. Business performance

	Thousands of Euros	
	2015	**2014**
Balance sheet		
Total assets	17,442,750	20,036,134
On-balance sheet customer funds	4,921,950	744,807
Other funds managed	5,154,036	4,144,911
Loans and advances to other debtors (net)	995,342	1,016,805
Shareholders' equity	421,484	384,139
Profit/(loss)		
Gross margin	84,272	98,646
Margin on operating activities	52,139	65,792
Profit before income tax	52,138	65,792
Attributable profit	37,359	46,322
Significant ratios (%)		
Overheads/gross margin	28.69	24.21
Net profit/average shareholders' equity (ROE)	8.86	11.86
Net profit/average total assets (ROA)	0.16	0.19
Solvency ratio	21.0	16.60

2.1 Economic environment

According to publications by the International Monetary Fund (IMF), in 2015, global economic activity remained subdued. Growth in emerging market and developing economies – while still accounting for over 70% of global growth – declined for the fifth consecutive year, while a modest recovery continued in advanced economies.

Three key transitions continue to influence the global outlook: 1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services; 2) lower prices for energy and other commodities; and 3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.

Overall growth in China is evolving broadly as envisaged, but with a faster-than-expected slowdown in imports and exports, in part reflecting weaker investment and manufacturing activity. These developments, together with market concerns about the future performance of the Chinese economy, are having spillovers to other economies through trade channels and weaker commodity prices, as well as through diminishing confidence and increasing volatility in financial markets.

Manufacturing activity and trade remain weak globally, reflecting not only developments in China, but also subdued global demand and investment more broadly – notably a decline in investment in extractive industries. In addition, the dramatic decline in imports in a number of emerging market and developing economies in economic distress is also weighing heavily on global trade. Oil prices have declined markedly since September 2015, reflecting expectations of sustained increases in production by Organization of the Petroleum Exporting Countries (OPEC) members amid continued global oil production in excess of oil consumption.

Prices of other commodities, especially metals, have fallen as well. Lower oil prices strain the fiscal positions of fuel exporters and weigh on their growth prospects, while supporting household demand and lowering business energy costs in importers, especially in advanced economies, where price declines are fully passed on to end users. Though a decline in oil prices driven by higher oil supply should support global demand given a higher propensity to spend in oil importers relative to oil exporters, in current circumstances several factors have dampened the positive impact of lower oil prices.

Monetary easing in the Euro area and Japan is proceeding broadly as previously envisaged, while in December 2015 the U.S. Federal Reserve lifted the federal funds rate from the zero lower bound. Overall, financial conditions within advanced economies remain very accommodative. Prospects of a gradual increase in policy interest rates in the United States as well as bouts of financial volatility amid concerns about emerging market growth prospects have contributed to tighter external financial conditions, declining capital flows, and further currency depreciations in many emerging market economies.

Headline inflation has broadly moved sideways in most countries, but with renewed declines in commodity prices and weakness in global manufacturing weighing on goods prices it is likely to soften again. Core inflation rates remain well below inflation objectives in advanced economies. Mixed inflation developments in emerging market economies reflect the conflicting implications of weak domestic demand and lower commodity prices versus marked currency depreciations over the past year.

Global growth is projected at 3.4% in 2016 and 3.6% in 2017.

Growth in advanced economies is projected to rise by 0.2 percentage points in 2016 to 2.1%, and hold steady in 2017. Overall activity remains resilient in the United States, supported by still-easy financial conditions and strengthening housing and labour markets, but with dollar strength weighing on manufacturing activity and lower oil prices curtailing investment in mining structures and equipment.

In the Euro area, stronger private consumption supported by lower oil prices and easy financial conditions is outweighing a weakening in net exports.

Growth in Japan is also expected to firm in 2016, on the back of fiscal support, lower oil prices, accommodative financial conditions, and rising incomes.

Growth in emerging market and developing economies is projected to increase from 4% in 2015 – the lowest since the 2008–09 financial crisis – to 4.3% and 4.7% in 2016 and 2017, respectively.

Growth in China is expected to slow to 6.3% in 2016 and 6.0% in 2017, primarily reflecting weaker investment growth as the economy continues to rebalance.

Overall, forecasts for global growth have been revised downward by 0.2 percentage points for both 2016 and 2017. These revisions reflect to a substantial degree, but not exclusively, a weaker pickup in emerging economies than was previously forecast.

Prospects for global trade growth have also been marked down by more than ½ a percentage point for 2016 and 2017, reflecting developments in China as well as distressed economies.

Unless the key transitions in the world economy are successfully navigated, global growth could be derailed. Downside risks, which are particularly prominent for emerging market and developing economies, include the following:

- A sharper-than-expected slowdown along China's needed transition to more balanced growth, with more international spillovers through trade, commodity prices, and confidence, with attendant effects on global financial markets and currency valuations.

- A sudden rise in global risk aversion, regardless of the trigger, leading to sharp further depreciations and possible financial strains in vulnerable emerging market economies.

- An escalation of ongoing geopolitical tensions in a number of regions affecting confidence and disrupting global trade, financial, and tourism flows. Commodity markets pose two-sided risks. On the downside, further declines in commodity prices would worsen the outlook for already-fragile commodity producers, and increasing yields on energy sector debt threaten a broader tightening of credit conditions. On the upside, the recent decline in oil prices may provide a stronger boost to demand in oil importers than currently envisaged, including through consumers' possible perception that prices will remain lower for longer.

With the projected pickup in growth being once again weaker than previously expected and the balance of risks remaining tilted to the downside, raising actual and potential output through a mix of demand support and structural reforms is even more urgent. In advanced economies, where inflation rates are still well below central banks' targets, accommodative monetary policy remains essential. Where conditions allow, near-term fiscal policy should be more supportive of the recovery, especially through investments that would augment future productive capital.

Fiscal consolidation, where warranted by fiscal imbalances, should be growth friendly and equitable. Efforts to raise potential output through structural reforms remain critical. Although the structural reform agenda should be country specific, common areas of focus should include strengthening labour market participation and trend employment, tackling legacy debt overhang, and reducing barriers to entry in product and services markets.

In Europe, where the tide of refugees is presenting major challenges to the absorptive capacity of European Union labour markets and testing political systems, policy actions to support the integration of migrants into the labour force are critical to allay concerns about social exclusion and long-term fiscal costs, and unlock the potential long-term economic benefits of the refugee inflow.

In emerging market and developing economies, policy priorities are varied given the diversity in conditions. Policymakers need to manage vulnerabilities and rebuild resilience against potential shocks while lifting growth and ensuring continued convergence toward advanced economy income levels. Net importers of commodities are facing reduced inflation pressures and external vulnerabilities, but in some, currency depreciations accompanying reduced capital inflows could limit the scope for monetary policy easing to support demand.

In a number of commodity exporters, reducing public expenditures while raising their efficiency, strengthening fiscal institutions, and increasing non-commodity revenues would facilitate the adjustment to lower fiscal revenues. In general, allowing for exchange rate flexibility will be an important means for cushioning the impact of adverse external shocks in emerging market and developing economies, especially commodity exporters, though the effects of exchange rate depreciations on private and public sector balance sheets and on domestic inflation rates need to be closely monitored.

Policymakers in emerging market and developing economies need to press on with structural reforms to alleviate infrastructure bottlenecks, facilitate a dynamic and innovation-friendly business environment, and bolster human capital. Deepening local capital markets, improving fiscal revenue mobilisation, and diversifying exports away from commodities are also ongoing challenges in many of these economies.

2.2 Balance sheet

- Total assets decreased by 12.9% to Euros 17,442,750 thousand.

- At 31 December 2015 loans and advances to other debtors stood at Euros 995,342 thousand, less 2.1% compared to 31 December 2014.

- Deposits from other creditors increase by 560.8% to Euros 4,921,950 thousand.

- Deposits from credit institutions and central banks decreased 36.3% to Euros 11,354,592 thousand.

- Shareholders' equity rose by 9.7% to Euros 421,484 thousand.

2.3 Income statement

- The interest margin was Euros 63,400 thousand, representing a decline of 9.9% on 2014.

- The gross margin slipped by 14.6% to Euros 84.272 thousand due to the performance of the various components of this margin: interest (as mentioned previously), net fees and commissions (up 1.1% to Euros 15,414 thousand), gains and losses on financial assets and financial liabilities and exchange differences (up 17.6% to stand at Euros 11,629 thousand). Other operating income net of other operating expenses rose by 3.9% to Euros 6,435 thousand.

- Administrative and personnel expenses grew by 1.4% to stand at Euros 22,779 thousand, Depreciation and amortisation totalled Euros 1,398 thousand, down 0.9% on 2014. The sum of provisions and impairment losses on assets decreased to Euros 7,956 thousand (down 11.3%). Consequently, results from operating activities stood at Euros 52,138 thousand, 20.8% up on 2014.

- Profit attributable to the Group amounted to Euros 37,359 thousand, 19.3% higher than in 2014.

2.4 Business units

The results of the different business segments comprising the Bank's activity and their performance in 2015 and 2014 are summarised below. Further information can be found in note 32.

	Thousands of Euros									
	Commercial banking		Asset management		Markets		Corporate activities		Total Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross margin plus other operating income (net)	17,126	17,702	11,058	9,825	44,856	60,461	11,232	10,658	84,272	98,646
Results from operating activities	8,418	4,134	8,454	7,251	40,899	56,554	(5,631)	(2,146)	52,139	65,792
Profit/(loss) before income tax	8,418	4,134	8,454	7,251	40,899	56,554	(5,632)	(2,146)	52,138	65,792
Income tax	2,386	1,223	2,397	2,146	11,594	16,736	(1,596)	(635)	14,781	19,470
Consolidated profit/(loss) for the year	**6,031**	**2,910**	**6,057**	**5,105**	**29,304**	**39,818**	**(4,036)**	**(1,511)**	**37,357**	**46,322**

2.5 Environmental issues

Environmental preservation is a priority of the Bank when performing its activity and it seeks to promote initiatives to protect the environment and prevent and mitigate environmental damage. The Bank has a recycling protocol aimed at minimising the waste generated by activity, which is generally very limited; and it is especially concerned with financing projects for the protection and improvement of the environment.

2.6 Human resources

Banco Cooperativo's human resources management model is aimed at promoting professional growth and development within the organisation, prioritising promotion and internal rotation, in order to foster a workforce with breadth of knowledge and ensure equal conditions and opportunities.

Management practices are therefore characterised by close relationships and personalised treatment. Each employee is considered key and essential to achieving the Entity's objectives.

Our core values revolve around respect, integrity, commitment, team spirit and especially the quality of internal and external customer service.

	2015	**2014**
Average length of service (years)	11.5	11.4
Average age	41.2	40.7
Training:		
(%) University graduates	80	79
No, of hours of training	4,628	4,322
Hours of training/employee	21	21
Diversity (%)		
Female	48	47
Male	52	53
HR management (%)		
Internal promotion	9	10
Permanent contracts	98	99

3. Liquidity and capital

3.1 Liquidity

Liquidity risk management consists of ensuring that the Group always has sufficient liquidity to meet its payment commitments associated with the settlement of its liabilities on their respective maturity dates without compromising its capacity to respond rapidly to strategic market opportunities. This function includes obtaining financing in wholesale markets at the lowest possible cost in the medium and long term, with a view to maintaining an optimum level of liquid assets in keeping with the Group's policy of prudence.

In this context, the key to resolving liquidity problems resides in anticipating them and implementing preventive management techniques. The Bank is aware of this and therefore considers both aspects its first line of defence against the potential adverse effects of liquidity shortages on its results, reputation and creditworthiness.

To enable early identification, the Group continually monitors its liquidity position in the short, medium and long term and the performance of the main monetary and capital markets in which it operates. To this end it has: (i) a wide range of quantitative and qualitative indicators, (ii) limits and alerts defined based on the maximum tolerance to liquidity risk and (iii) the human, technical and operational support required to properly incorporate these indicators as a strategic and risk management input.

With regard to preventive management, the Asset and Liability Committee (ALCO) focuses structural liquidity management on: (i) the balance between positive and negative cash flows over a long time horizon, (ii) the diversification of uses and sources of funding and (iii) the protection of the Bank's ability to finance its growth and meet its payment obligations on the date and in the manner established in the contract at a reasonable cost and without affecting its reputation.

Finally, in terms of anticipation, the Entity has a buffer of liquid assets free of encumbrances that allow it to comfortably cope with situations of severe stress. The quality, relative liquidity and suitability as collateral of the assets that make up the buffer are periodically verified and these assets are subjected to stress tests to determine their ability to cope with extreme situations.

The main metrics currently used to control liquidity and the results thereof at 31 December 2015 are:

- ***Daily liquidity controls***: the Bank continually monitors its intraday liquidity, the eligibility of securities to be pledged as collateral to obtain financing from Banco de España (credit facility) and the sufficiency of its headroom (buffer of available liquid assets) in dealing with short-term cash outflows, among other indicators. This analysis also envisages further stress tests on its portfolio of eligible assets (those pledged as collateral for the Banco de España credit facility and others), subjecting the securities to scenarios of a reduction in their market value, downgrades in rating and loss of eligibility.

- ***Liquidity gap***: provides information on cash inflows and outflows in order to detect timing differences between collections and payments. Very conservative behavioural criteria and assumptions have been established for unknown contractual maturities.

- ***Short-term liquidity coverage ratio (LCR):*** under the stress scenario defined in Basel III, the 30-day liquidity ratio at 31 December 2015 stood at 129.5%, a level close to that normally seen and over twice the target rate (60%) established for the date of entry into force of this ratio (October 2015).

- ***Net Stable Funding Ratio (NSFR):*** the Bank maintains a balanced structure in its long-term financing that is adapted to its liquidity profile. At 31 December 2014, the net stable funding ratio was 92%, higher than the target set in Basel III.

Moreover, the Bank has activated a number of alerts and thresholds that are continually monitored, enabling it to foresee any potential liquidity stress and, where necessary, automatically convene the ALCO for an extraordinary or crisis meeting, depending on the situation. The latter initiative is considered in the liquidity risk contingency plan, the Bank's second line of action against potential adverse effects of liquidity shortages, Essentially, this is an action plan with a practical focus that enables the Bank to optimise the timing, cost and form of its response to high-exposure or critical situations and mitigate possible disturbances and impacts on business continuity during such episodes.

Further information on residual maturities and the Bank's financing structure can be found in note 35 to the consolidated annual accounts.

3.2 Capital

Capital management seeks to guarantee the solvency of the Entity and ensure compliance with internal capital targets and regulatory requirements, and is a fundamental decision-making tool.

The Entity's target capital is defined as the capital which the Entity considers it necessary to hold both now and in the future as per its capital planning and which is in keeping with the risks inherent in its activity, the economic environment in which it operates, the governance, management and risk control systems, the strategic business plan, the quality of available capital, regulatory requirements (current and future requirements insofar as the latter are known) and the real possibilities of obtaining more capital if so required.

	Thousands of Euros	
	2015	**2014**
Capital	99,036	91,009
Reserves	285,304	246,969
Deductions	(1,410)	(1,572)
Common Equity Tier 1 (CET1) capital	**382,930**	**336,406**
Additional CET1 elements	--	--
Tier 1 capital	**382,930**	**336,406**
General provision	11,214	11,956
Other elements	--	--
Tier 2 capital	**11,214**	**11,956**
Total eligible capital	**394,144**	**348,362**
For credit, counterparty, dilution and delivery risk	99,125	133,639
For price, currency and commodity position risk	18,354	19,385
Operational risk and other	32,792	14,422
Total minimum capital requirement	**150,271**	**167,446**
Surplus	**243,873**	**180,916**
Capital ratio (%)	**21.0**	**16.6**
Tier 1 capital (%)	**20.4**	**16.1**

Eligible capital amounts to Euros 394,144 thousand while capital requirements are Euros 150,271 thousand, giving rise to a surplus of Euros 243,873 thousand, i.e. 162.3% over the minimum requirement.

The majority of this amount is Common Equity Tier 1 (CET1) capital, which stands at Euros 382,930 thousand and accounts for 97.2% of total eligible capital.

Tier II capital, comprised of the general provision, amounted to Euros 11,214 thousand at 31 December 2015 and represents 2.8% of the capital base.

The most significant figure in eligible capital corresponds to credit, counterparty, dilution and delivery risks, which stand at Euros 99,125 thousand and represent 66.0% of total capital requirements calculated in accordance with Banco de España regulations.

As a result, the solvency ratio was 21.0% and the Tier I capital ratio stood at 20.4%.

4. Risk

A summary of the principles governing risk management at Banco Cooperativo is as follows:

- A risk profile adapted to strategic objectives, which include a high level of solvency.
- Involvement of senior management.
- Segregation of duties, guaranteeing the independence of the control function and comprehensive management of risks by the areas giving rise to them.
- Clear focus on supporting the business, without prejudice to the foregoing principle and maintaining the quality of risk in line with the Group's risk profile.
- Power allocation policies and control mechanisms structured and adapted to the various phases of the risk circuit, thereby ensuring adequate risk management and a risk profile that is in keeping with the parameters defined by the board of directors and senior management.
- Use of appropriate systems for the identification, measurement, control and monitoring of risks.
- Policies and procedures to reduce risks through mitigation techniques.
- Allocation of capital that is adapted to the level of risk assumed and the economic environment in which the Entity operates.

These principles are reflected in internal policies related to the approval, monitoring and control of risks and are set forth in the corresponding manuals and monitored on an ongoing basis, as explained further on.

4.1 Credit risk

Credit risk is the risk of one party to a contract that meets the definition of a financial instrument ceasing to comply with its obligations, resulting in a financial loss for the other party.

Credit risk therefore represents the risk of loss assumed by the Bank in the event that a customer or any counterparty fails to comply with its contractual payment obligations, This risk is inherent in traditional products of banking entities (loans, credit facilities, financial guarantees extended, etc.). as well as in other types of financial assets (fixed-income securities of the Group, derivatives, etc.).

Credit risk affects financial assets carried at amortised cost and assets recognised at fair value in the consolidated financial statements. The Bank applies the same credit risk control policies and procedures to these financial assets irrespective of the recognition criteria used.

The Bank's credit risk control policies and objectives have been approved by the board of directors. The Risk Committee, together with the Assets and Liabilities Committee, is in charge of implementing the Bank's risk policies that enable compliance with the objectives set by the board. The risk control unit (under the General Audit and Risks Department and, therefore, independent of the business units in charge of implementing policies defined by the Entity) is responsible for establishing the control procedures required to continuously monitor the levels of risk assumed by the Entity as well as strict compliance with the objectives set by the Bank with respect to credit risks. Together with the Internal Audit Department (under the Internal Audit Committee), the risk control unit also monitors compliance with the Bank's risk control policies, methods and procedures, ensuring that these are sufficient, implemented effectively and reviewed regularly, and providing the information required by higher-level governing bodies to implement the necessary corrective measures, where applicable.

The control unit monitors, on an ongoing basis, risk concentration levels, the default rate and the different warning systems in place that enable it to keep an eye on credit risk trends at all times. Any deviations from the forecast performance of any of these parameters are analysed to determine the causes. Once the causes of these deviations are known, they are analysed by the control unit which submits the corresponding reports to the Bank's management bodies so that the necessary corrective measures may be taken; for example, defining or correcting established control mechanisms which may not have functioned satisfactorily, or amending policies and limits agreed by the Bank. In particular, a more exhaustive analysis will be performed of operations which, for different reasons, have resulted in late payment or default, to determine the effectiveness of the hedges arranged by the Entity, in order to take any necessary measures to improve the Bank's acceptance policies and credit risk analysis mechanisms.

4.2 Market risk

Market risk management is carried out on a two-tier basis:

a) Positions derived from trading activity, which includes portfolios held to benefit from gains on short-term price variations.

b) Balance sheet positions, namely financial instruments and portfolios which are generally used to manage the overall risk structure, as well as structural fixed-income positions which are accrued in the margin.

The basic functions of the risk analysis and control unit include measuring, controlling and monitoring market risks, evaluating exposure and adapting that exposure to the limits assigned, as well as contrasting, implementing and maintaining tools.

The market risk limit structure is based on the value at risk (VaR) calculation, stop-loss limits, comparative tests and stress-testing and limits on the size of positions.

Management of this risk is geared towards limiting losses on positions stemming from adverse changes in market prices. Potential losses are estimated using a value at risk model, which is the main control and measuring tool employed in trading operations.

VaR is calculated using the parametric model, with a 99% confidence level for a time period of one day, Value at risk is obtained using historical or Monte Carlo simulations for those portfolios or unusual products with special characteristics for which the covariations model cannot be used,

VaR is calculated centrally on a daily basis for the treasury and capital market activity as a whole, irrespective of the nature of the portfolios.

The objectives of this risk valuation methodology are:

- To establish a benchmark for defining the structure of limits.

- To provide the Group with a unique and standard multi-level measure of market risk, and to provide the regulator with a global measure of market risk assumed by the Entity.

In addition to monitoring market risk, the risk control tools are also complemented by warning systems called stop-loss orders. The reason behind establishing warning systems is to limit maximum trading strategy losses to the desired level by automatically closing positions where allowable losses have been exceeded.

The measurement and control of market risk are complemented by contrast tests which involve comparing the theoretical generation of daily profits and losses under the assumption that positions have remained unchanged, i.e. in the absence of daily trading and using the estimates created by the risk model. Back-testing is used to determine whether the number of times losses exceed estimated VaR is consistent with the expected results according to the 99% confidence level applied in the model. The application of this technique shows that risk measurements fall within generally accepted validation standards.

To further supplement market risk measurement and control, stress estimates are performed in order to quantify the maximum decline in value of a portfolio when faced with extreme risk factor movements. Stress-testing analysis includes the application of historical financial market crisis scenarios as well as extreme values of market variables.

The market risk limit structure is completed with specific limits to the size of positions on certain operations individually approved, analysed and monitored by the Bank’s Assets and Liabilities Committee.

4.3 Interest rate risk

Interest rate risk on the overall balance sheet is measured using the gap calculation and the sensitivity of the financial margin and net worth to interest rate fluctuations.

- The interest rate gap is based on analyses of variations in the maturities or repricing profile of different bundles of assets and liabilities over various time intervals.

- Financial margin sensitivity is estimated by projecting the financial margin to twelve months using the expected interest rate scenario and certain behaviour of the balance sheet bundles.

- Net worth sensitivity provides an overview of the long-term interest rate risk assumed by the Entity. Through the concept of duration, the effect of interest rate fluctuations on the economic value of the Entity can be approximated.

To manage interest rate risk, the Assets and Liabilities Committee analyses the overall time difference between maturity and repricing of assets and liabilities. In the case of liabilities with no contractual maturity date, assumptions based on the historical stability of these balances are used.

Each month the financial margin over a 12-month period is simulated under certain scenarios, such as growth of each balance sheet item, spread renewal assumptions, repricing periods for each type of operation, as well as different interest rate scenarios.

Interest rate risk is also analysed considering the economic value, measured as the effect of changes in the interest rate on the present value of equity, discounting expected future flows.

4.4 Counterparty risk

Control of counterparty risk is carried out in real time using an integrated system which allows the line of credit available with any counterparty, in any product and period and for each market area, to be known at any given time.

Lines of credit are approved following established authorisation procedures, as are any instances when credit limits are surpassed.

Counterparty risk is measured using the present value of each position plus the estimated increase in market value until maturity, Future variations in market prices are based on a hypothetical worst-case scenario considering the term of the operation and the risk factors to which the operation is exposed.

With respect to counterparty risk of derivative positions, credit risk is offset on positions where the counterparty is a financial institution that is party to the financial operations framework agreement, which allows parties to offset positions with negative market values against positions with positive market values in the same entity. At 31 December 2015 offset agreements have been implemented with 50 entities (47 in 2014).

The risk analysis unit continuously monitors the level of credit risk concentration by country, sector or counterparty. The Bank’s Assets and Liabilities Committee reviews the appropriate exposure limits in order to adequately manage the level of credit risk concentration.

Note 35 to the consolidated annual accounts contains detailed information on the risks to which the Group's activity is exposed, including credit risk, market risk, interest rate risk, refinancing risk, exchange rate risk and risk concentration.

5. Outlook

In 2016, the Bank will design and launch new areas of business, allowing it to enhance its market presence and that of the shareholder rural savings banks, reinforce control of the different activities and improve the quality of services rendered.

6. Research, development and innovation activities

The Group has continued to develop technological applications to save costs and increase the quality of the services rendered to our customers, and so as to address new requirements to update technological and functional areas. The main work carried out has allowed the Group to continue with its policy to make the most of resources, leading to improved efficiency and the streamlining of processes.

7. Acquisition and sale of own shares

No transactions were carried out with own shares in 2015.

8. Other relevant information

The rating agencies commissioned all highlighted the Bank's low risk profile due to its robust levels of capitalisation, estimated profit volatility at the lower end of the benchmarks applied and low estimated exposure to various risks as a result of its policies and practices.

At the date of this report, the ratings assigned to the Bank are as follows:

Moody's	Ba1
Fitch	BBB
DBRS	BBB

APPROVAL BY THE BOARD OF DIRECTORS OF THE GROUP'S CONSOLIDATED ANNUAL ACCOUNTS FOR 2015 BANCO COOPERATIVO ESPAÑOL, S,A,

In accordance with article 253 of the revised Spanish Companies Act, the members of the board of directors of Banco Cooperativo Español, S.A., whose names are provided below, subscribe to and countersign these annual accounts for the year ended 31 December 2015 of Banco Cooperativo Español, S.A. and Subsidiaries, which were authorised for issue at the board of directors' meeting held on 30 March 2016 in Madrid and comprise the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of total changes in equity, consolidated statement of cash flows, notes thereto comprising 52 sheets (pages 7 to 110) and three appendices (pages 111 to 119), as well as a consolidated directors' report of 9 sheets (pages 120 to 135).

All pages have been initialled by the secretary and this page and the following page signed by the directors, Directors.

Madrid, 30 March 2016

Mr. José Luis García Palacios
- Chairman -

Mr. José Luis García-Lomas Hernández
- First Vice-chairman -

Mr. Pedro García Romera
- Second Vice-chairman -

Mr. Ignacio Arrieta del Valle
- Director -

Mr. Nicanor Bascuñana Sánchez
- Director -

Mr. Fernando Bergé Royo
- Director -

Mr. Luis Esteban Chalmovskv
- Director -

Mr. Carlos de la Sierra Torrijos
- Director -

Mr. Cipriano García Rodríguez
- Director -

Mr. Carlos Martínez Izquierdo
- Director -

Mr. Jesús Méndez Álvarez-Cedrón
- Director -

Mr. José María Quirós Rodríguez
- Director-

Mr. Dimas Rodríguez Rute
- Director -

Ms, Dagmar Werner
- Director -