Banco Cooperativo Español, S.A. and Subsidiaries

Consolidated Annual Accounts
31 December 2013

Consolidated Directors' Report
2013

(With Auditors' Report Thereon)

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

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

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

Auditors' Report on the Consolidated Annual Accounts

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

We have audited the consolidated annual accounts of Banco Cooperativo Español, S.A. (the "Bank") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2013, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of total changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. The Bank's Directors are responsible for the preparation of the consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the financial information reporting framework applicable to the Group (which are indicated in note 1(b) to the accompanying consolidated annual accounts). Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Banco Corporativo Español, S.A. and subsidiaries at 31 December 2013 and the consolidated results of their operations 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 applicable financial information reporting framework.

The accompanying consolidated directors' report for 2013 contains such explanations as the Directors of the Bank consider relevant to the situation of the Group, the evolution of its business 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 2013. 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 the original in Spanish*)

Julio Álvaro Esteban

4 April 2014

BANCO COOPERATIVO ESPAÑOL AND SUBSIDIARIES

Notes to the consolidated annual accounts prepared in accordance with the revised Spanish Companies Act
and the Spanish Code of Commerce

Consolidated annual accounts authorised
by the Board of Directors of ***Banco Cooperativo Español, S.A.***
at their meeting held on 26 March 2014

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

Consolidated balance sheets at 31 December 2013 and 2012 (Notes 1 to 4)

(in thousands of Euros)

ASSETS	NOTE	2013	2012
1.CASH AND BALANCES WITH CENTRAL BANKS	5	184,537	137,667
2. FINANCIAL ASSETS HELD FOR TRADING	6	4,932,951	2,321,254
2.1. Loans and advances to credit institutions		-	-
2.2. Loans and advances to other debtors		-	-
2.3. Debt securities		4,505,772	1,902,420
2.4. Equity instruments		281	237
2.5. Trading derivatives		426,898	418,597
Memorandum item: Loaned or pledged		2,916,327	1,708,689
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	1,968,219	1,573,241
4.1. Debt securities		1,955,398	1,558,500
4.2. Equity instruments		12,821	14,741
Memorandum item: Loaned or pledged		976,816	1,121,212
5. LOANS AND RECEIVABLES	8	16,753,279	16,857,786
5.1. Loans and advances to credit institutions		16,061,407	15,726,203
5.2. Loans and advances to other debtors		632,626	1,122,583
5.3. Debt securities		59,246	9,000
Memorandum item: Loaned or pledged		-	-
6. HELD-TO-MATURITY INVESTMENTS	9	369,832	444,423
Memorandum item: Loaned or pledged		277,078	351,529
7. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
8. HEDGING DERIVATIVES	15	-	-
9. NON-CURRENT ASSETS HELD FOR SALE		-	-
10. EQUITY INVESTMENTS	10	8,709	11,571
10.1. Associates		8,709	11,571
10.2. Jointly controlled entities		-	-
11. INSURANCE CONTRACTS LINKED TO PENSIONS		-	-
12. TANGIBLE ASSETS, REINSURANCE ASSETS		-	-
13. TANGIBLE ASSETS	11	15,859	16,449
13.1. Tangible assets		15,859	16,449
13.1.1. For own use		15,859	16,449
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	1,185	1,211
14.1. Goodwill		-	-
14.2. Other intangible assets		1,185	1,211
15. TAX ASSETS	20	19,139	13,413
15.1. Current		5,641	4,486
15.2. Deferred		13,498	8,927
16. OTHER ASSETS	14	9,007	90,415
16.1. Inventories		-	-
16.2. Other		9,007	90,415
TOTAL ASSETS		**24,262,717**	**21,467,430**

EQUITY AND LIABILITIES	NOTE	2013	2012
LIABILITIES			
1. FINANCIAL LIABILITIES HELD FOR TRADING	6	427,863	420,048
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		427,863	420,048
1.6. Short positions		-	-
1.7. Other financial liabilities		-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	6	-	43,937
2.1. Deposits from central banks		-	-
2.2. Deposits from credit institutions		-	43,937
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	23,439,012	20,655,452
3.1. Deposits from central banks		7,057,088	7,165,332
3.2. Deposits from credit institutions		9,869,811	8,841,394
3.3. Deposits from other creditors		3,690,718	1,685,160
3.4. Debt certificates including bonds		2,813,439	2,918,966
3.5. Subordinated liabilities		-	10,001
3.6. Other financial liabilities		7,956	34,599
4. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
5. HEDGING DERIVATIVES	15	5,751	8,175
6. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-	-
7. LIABILITIES UNDER INSURANCE CONTRACTS		-	-
8. PROVISIONS	16	552	687
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		552	687
8.4. Other provisions		-	-
9. TAX LIABILITIES	20	8,960	3,467
9.1. Current		2,355	1,307
9.2. Deferred		6,605	2,160
10. WELFARE FUNDS		-	-
11. OTHER LIABILITIES	14	25,382	29,466
12. CAPITAL REFUNDABLE ON DEMAND		-	-
TOTAL LIABILITIES		**23,907,520**	**21,161,232**
EQUITY			
1. SHAREHOLDERS' EQUITY		350,085	313,064
1.1. Share capital or assigned capital	18	91,009	91,009
1.1.1. Registered		91,009	91,009
1.1.2. Less: Uncalled capital (-)		-	-
1.2. Share premium		85,972	85,972
1.3. Reserves	19	130,085	117,223
1.3.1. Accumulated reserves (losses)		129,657	115,160
1.3.2. Reserves (losses) of entities accounted for using the equity method		428	2,063
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	43,019	21,860
1.7. Less: Dividends and remuneration		-	(3,000)
2. VALUATION ADJUSTMENTS	17	4,955	(7,157)
2.1. Available-for-sale financial assets		4,955	(7,239)
2.2. Cash flow hedges		-	-
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		-	82
2.7. Other valuation adjustments		-	-
3. MINORITY INTERESTS		157	291
3.1. Valuation adjustments		-	-
3.2. Other		157	291
TOTAL EQUITY		**355,197**	**306,198**
TOTAL EQUITY AND LIABILITIES		**24,262,717**	**21,467,430**
MEMORANDUM ITEM			
1. CONTINGENT EXPOSURES	21	83,901	82,843
2. CONTINGENT COMMITMENTS	21	919,634	174,171

Notes 1 to 38 and Appendices I to III to the accompanying consolidated annual accounts form an integral part of the consolidated balance sheet at 31 December 2013.
(*) Presented solely and exclusively for comparison purposes

Consolidated income statements for the years ended 31 December 2013 and 2012 (Notes 1 to 4)

(in thousands of Euros)	NOTE	2013	2012(*)
1. INTEREST AND SIMILAR INCOME	25	408,153	485,219
2. INTEREST EXPENSE AND SIMILAR CHARGES	26	329,967	432,093
3. EQUITY REFUNDABLE ON DEMAND		-	-
A) INTEREST MARGIN		78,186	53,126
4. DIVIDEND INCOME	27	135	213
5. SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	28	1,007	728
6. FEE AND COMMISSION INCOME	29	34,901	30,917
7. FEE AND COMMISSION EXPENSE	30	20,365	18,362
8. GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (NET)	31	8,440	(7,431)
8.1. Trading portfolio		7,562	118
8.2. Other financial instruments at fair value through profit or loss		(208)	856
8.3. Financial instruments not carried at fair value through profit or loss		1,086	(8,405)
8.4. Other		-	-
9. EXCHANGE DIFFERENCES (NET)	31	284	341
10. OTHER OPERATING INCOME		2,303	2,105
10.1. Insurance and reinsurance income		-	-
10.2. Sales and income from the provision of non-financial services		2,225	1,992
10.3. Other operating income		78	113
11. OTHER OPERATING EXPENSES		300	186
11.1 Insurance and reinsurance expenses		-	-
11.2. Changes in inventories		-	-
11.3. Other operating expenses	1(h)	300	186
B) GROSS MARGIN		104,591	61,451
12. ADMINISTRATIVE EXPENSES		21,845	22,078
12.1. Personnel expenses	32	14,061	14,339
12.2. Other administrative expenses	33	7,784	7,739
13. AMORTISATION AND DEPRECIATION	11, 12	1,724	1,565
14. PROVISIONING EXPENSE (NET)	16, 37	(102)	(349)
15. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	37	19,782	7,136
15.1. Loans and receivables		19,952	7,133
15.2. Other financial instruments not carried at fair value through profit or loss		(170)	3
C) PROFIT ON OPERATING ACTIVITIES		61,342	31,021
16. IMPAIRMENT LOSSES ON OTHER ASSETS (NET)		1,159	-
16.1. Goodwill and other intangible assets		-	-
16.2. Other assets		1,159	-
17. GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE		668	-
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		60,851	31,021
20. INCOME TAX	20	17,832	9,026
21. MANDATORY TRANSFER TO WELFARE FUNDS		-	-
E) PROFIT FROM CONTINUING OPERATIONS		43,019	21,995
22. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (NET)		-	-
F) CONSOLIDATED PROFIT FOR THE YEAR		43,019	21,995
F.1) Profit attributable to the Parent	19	43,019	21,860
F.2) Profit attributable to minority interests		-	135
EARNINGS PER SHARE (Euros)	3	28.41	14.44

Notes 1 to 38 and Appendices I to III to the accompanying consolidated annual accounts form an integral part of the consolidated income statement for 2013.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE for the years ended 31 December 2013 and 2012 (Notes 1 to 4)

(in thousands of Euros)	NOTE	2013	2012(*)
A) CONSOLIDATED PROFIT FOR THE YEAR	**19**	43,019	21,995
B) OTHER RECOGNISED INCOME AND EXPENSE		12,112	3,444
1. Available-for-sale financial assets	**17**	17,420	4,938
1.1. Revaluation gains/(losses)		16,915	7,405
1.2. Amounts transferred to the income statement		(505)	(2,467)
1.3. Other reclassifications		-	-
2. Cash flow hedges		-	-
2.1. Revaluation gains/(losses)		-	-
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	**17**	(82)	(12)
7.1. Revaluation gains/(losses)		(82)	(12)
7.2. Amounts transferred to the income statement		-	-
7.3. Other reclassifications		-	-
8. Other recognised income and expense		-	-
9. Income tax	**17**	(5,226)	(1,482)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)		55,131	25,439
C 1) Attributable to the parent company		55,131	25,304
C 2) Attributable to minority interests		-	135

Notes 1 to 38 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 2013.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2013 and 2012 (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 2011	91,009	85,972	106,114	2,481	-	-	17,625	(3,000)	300,201	(10,601)	289,600	209	289,809
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	91,009	85,972	106,114	2,481	-	-	17,625	(3,000)	300,201	(10,601)	289,600	209	289,809
3. Total recognised income and expense	-	-	-	-	-	-	21,860	-	21,860	3,444	25,304	135	25,439
4. Other changes in equity	-	-	9,046	(418)	-	-	(17,625)	-	(8,997)	-	(8,997)	(53)	(9,050)
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)	-	-	-	-	-	-	(9,000)	-	(9,000)	-	(9,000)	(53)	(9,053)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	9,043	(418)	-	-	(8,625)	-	-	-	-	-	-
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 2012	91,009	85,972	115,160	2,063	-	-	21,860	(3,000)	313,064	(7,157)	305,907	291	306,198

Notes 1 to 38 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 2013.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2013 and 2012 (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 2012	91.009	85.972	115.160	2.063	-	-	21.860	3.000	313.064	(7.157)	305.907	291	306.198
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	91.009	85.972	115.160	2.063	-	-	21.860	3.000	313.064	(7.157)	305.907	291	306.198
3. Total recognised income and expense	-	-	-	-	-	-	43.019	-	43.019	12.112	55.131	-	55.131
4. Other changes in equity	-	-	14.497	(1.635)	-	-	(21.860)	(3.000)	(6.000)	-	(6.000)	(134)	(6.134)
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)	-	-	-	-	-	-	(6.000)	-	(6.000)	-	(6.000)	(134)	(6.134)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	14.495	(1.635)	-	-	(15.860)	(3.000)	-	-	-	-	-
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)	-	-	2	-	-	-	-	-	2	-	2	-	2
5. Closing balance at 31 December 2013	91.009	85.972	129.657	428	-	-	43.019	-	350.085	4.955	355.040	157	355.197

Notes 1 to 38 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 2013.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENTS OF CASH FLOWS for the years ended 31 December 2013 and 2012 (Notes 1 to 4)

(in thousands of Euros)	NOTE	2013	2012(*)
A). CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(93,625)	(1,430,602)
1. Consolidated profit for the year	19	43,019	21,995
2. Adjustments to obtain cash flows from operating activities		41,658	17,727
2.1. Amortisation and depreciation	11,12	1,724	1,565
2.2. Other adjustments		39,934	16,162
3. Net increase/ decrease in operating assets		2,909,838	7,021,293
3.1. Financial assets held for trading	6	2,611,697	1,004,903
3.2. Other financial assets at fair value through profit or loss		-	-
3.3. Available-for-sale financial assets	7	382,866	121,529
3.4. Loans and receivables	8	(84,725)	5,894,861
3.5. Other operating assets		-	-
4. Net increase/(decrease) in operating liabilities		2,755,015	5,566,334
4.1. Financial assets held for trading	6	7,815	93,150
4.2. Other financial liabilities at fair value through profit or loss	6	(43,937)	(63,905)
4.3. Financial liabilities at amortised cost	13	2,793,561	5,539,388
4.4. Other operating liabilities		(2,424)	(2,299)
5. Income tax received/paid	20	(23,479)	(15,365)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		149,708	21,193
6. Payments		1,707	44,452
6.1. Tangible assets	11	297	238
6.2. Intangible assets	12	811	773
6.3. Equity investments	10	599	-
6.4. Other business units		-	-
6.5. Non-current assets and associated liabilities held for sale		-	-
6.6. Held-to-maturity investments	9	-	-
6.7. Other payments relating to investing activities		-	43,441
7. Collections		151,415	65,645
7.1. Tangible assets		-	-
7.2. Intangible assets		-	-
7.3. Equity investments	10	1,141	515
7.4. Other business units		-	-
7.5. Non-current assets and associated liabilities held for sale		-	-
7.6. Held-to-maturity investments	9	74,591	65,130
7.7. Other collections relating to investing activities		75,683	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(9,213)	(4,812)
8. Payments		16,134	9,052
8.1. Dividends	3,18	6,134	9,052
8.2. Subordinated liabilities		10,000	-
8.3. Redemption of own equity instruments		-	-
8.4. Acquisition of own equity instruments		-	-
8.5. Other payments relating to financing activities		-	-
9. Collections		6,921	4,240
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	6,921	4,240
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		46,870	(1,414,221)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		137,667	1,551,888
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR		184,537	137,667
MEMORANDUM ITEM			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5		
1.1. Cash		700	653
1.2. Cash equivalents at central banks		183,837	137,014
1.3. Other financial assets		-	-
1.4. Less: Bank overdrafts repayable on demand		-	-
Total cash and cash equivalents at end of the year		184,537	137,667

Notes 1 to 38 and Appendices I to III to the accompanying consolidated annual accounts form part of the consolidated statement of cash flows at 31 December 2013.
(*) 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 41 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 99.9% and 100.27% of the Group’s total assets at 31 December 2013 and 2012, respectively. 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 2013 and 2012 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 2013 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 2013 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 2012 were approved by the shareholders at the annual general meeting held on 29 May 2013.

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 2013, 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: This standard is effective for annual periods beginning on or after 1 January 2013, although earlier application is permitted. The main change introduced by this amendment relates to the accounting treatment of defined benefit plans, as it eliminates the corridor that currently allows for a certain portion of actuarial gains and losses to be deferred. As of the date that this amendment becomes effective, all actuarial gains and losses will be recognised immediately. The amendment also introduces changes in the presentation of cost components in the income statement, which will be grouped and presented differently.

- IFRS 9: "Financial Instruments: Classification and measurement". This standard is effective for periods beginning on or after 1 January 2015 and may be applied in advance. Pending adoption by the European Union. This standard will replace the classification and measurement section of the current IAS 39 and contains certain relevant differences affecting financial assets compared to the current standard, including the approval of a new classification model comprising just two categories, amortised cost and fair value. The held-to-maturity investments and available-for-sale financial assets categories currently in IAS 39 are not included in IFRS 9. Furthermore, impairment testing will only be applicable to assets measured at amortised cost and embedded derivatives will no longer be separated from host contracts.

- IFRS 10: "Consolidated Financial Statements". This standard is effective for periods beginning on or after 1 January 2013, although for the purposes of entities reporting under EU-IFRS it is effective for periods beginning on or after 1 January 2014. This standard may be applied in advance, together with IFRS 11 and IFRS 12. This standard, which replaces SIC 12 Consolidation – Special Purpose Entities, as well as certain sections of IAS 27 "Consolidated and Separate Financial Statements", defines the principle of control as a determining factor when assessing whether an entity should be included in the consolidated financial statements of the parent company. The new definition of control introduced by IFRS 10 - Consolidated Financial Statements comprises three mandatory conditions: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns.

- IFRS 11: "Joint Arrangements". This standard is effective for periods beginning on or after 1 January 2013, although for the purposes of entities reporting under EU-IFRS it is effective for periods beginning on or after 1 January 2014. This standard may be applied in advance, together with IFRS 10 and IFRS 12. This standard, which replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities”, addresses the reporting inconsistencies for joint arrangements and establishes a single method for accounting for investments or interests in jointly-controlled companies, and equity-accounted investments, while eliminating the option of proportionate consolidation.

- IFRS 12: “Disclosure of Interests in Other Entities”. This standard is effective for periods beginning on or after 1 January 2013, although for the purposes of entities reporting under EU-IFRS it is effective for periods beginning on or after 1 January 2014. This standard may be applied in advance, together with IFRS 10 and IFRS 11. IFRS 12 groups together all new and existing disclosure requirements for investments in other entities (subsidiaries, associates, joint ventures and other investments).

- Amendment to IAS 27: “Separate Financial Statements” and IAS 28: “Investments in Associates and Joint Ventures”. These amendments were issued in parallel to the new IFRS 10, IFRS 11 and IFRS 12, mentioned above.

- Amendment to IAS 1: Presentation of Financial Statements. This standard is effective for periods beginning on or after 1 July 2012 and may be applied in advance. It introduces improvements and clarifications to the presentation of “other recognised income and expense” (Measurement adjustments). The main change introduced is that items must now be presented with a breakdown between those that can be reclassified to profit or loss in the future and those that cannot.

- IFRS 13: “Fair Value Measurement”. This standard is effective for periods beginning on or after 1 January 2013 and may be applied in advance. IFRS 13 establishes a single regulatory framework for the measurement of fair value, and, therefore, the benchmark for measuring the fair value of financial and non-financial assets and liabilities. IFRS 13 also requires consistent disclosures in the annual accounts for all items measured at fair value.

- The implementation of IFRS 13 will mainly affect the measurement of credit risk in derivative positions, both asset positions “Credit Valuation Adjustment” (CVA) and liability positions “Debit Valuation Adjustment” (DVA); although the impact on the Group's balance sheet and income statement at 31 December 2013 was not significant.

- Amendments to IFRS 7: “Financial Instruments: Disclosures”. This standard is effective for periods beginning on or after 1 January 2013. It introduces new disclosures regarding the settlement of financial assets and financial liabilities. Entities are required to present separate disclosures of the gross and net amounts of financial assets that have been or could be offset, as well as all recognised financial instruments that are included in some kind of “master netting agreement”, whether or not they have been offset.

- Fourth annual “Improvements to IFRS” project. These improvements are part of the annual improvement process enabling necessary, but non-urgent, amendments to be made to IFRS. It includes amendments to IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting”. The amendments will be retrospectively applicable for periods commencing as of 1 January 2013.

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 2012 or because they have not been adopted by the European Union, and which are significant for the Group, are as follows:

- Amendment to IAS 32: "Financial Instruments: Presentation - offsetting financial assets and financial liabilities". This standard is effective for periods beginning on or after 1 January 2014 and may be applied in advance. It introduces a number of additional clarifications regarding the requirements for offsetting a financial asset and a financial liability in their presentation in the entity's balance sheet. IAS 32 previously established that a financial asset and a financial liability may only be offset when the entity currently has a legally enforceable right to set off the recognised amounts. The new amendment clarifies that the right of set off must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

- IFRS Annual Improvements cycle 2010-2012: Introduces minor amendments and clarifications to IFRS 2 Share-based Payment, IFRS 3 Business Combinations, 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. These amendments will be effective for annual periods beginning on or after 1 July 2014, although earlier application is permitted.

- IFRS Annual Improvements cycle 2011-2013: 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. These amendments will be effective for annual periods beginning on or after 1 July 2014, although earlier application is permitted.

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 2013 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 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 measurement of goodwill arising on consolidation (note 10)

- 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 2013 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 2013:

I. Subsidiaries

Subsidiaries are defined as entities over which the Bank has the capacity to exercise management control. This capacity is, in general but not exclusively, presumed to exist when the parent directly or indirectly owns half or more of the voting rights of the investee or, even if this percentage is lower or zero, when, for example, there are agreements with other shareholders of the investee that give the Bank control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 for the year is presented under "Profit 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.

f) Comparison of information

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2013 also include, for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto, comparative figures for the previous year.

g) Capital management objectives, policies and processes

Bank of Spain Circular 3/2008 of 22 May 2008 to credit institutions, on determination and control of minimum capital requirements, and subsequent amendments, regulates the minimum capital requirements of Spanish credit institutions, on an individual and consolidated group basis, the way in which such capital should be determined, the different capital self-assessment processes to be implemented by entities and the public information these entities should submit to the market.

The Circular and subsequent amendments reflect the final adaptation to credit institutions of legislation governing capital and the supervision of consolidated financial institutions, based on Law 36/2007 of 16 November 2007, which amends Law 13/1985 of 25 May 1985 on investment ratios, capital and reporting requirements of financial intermediaries and other financial system regulations, and also encompasses Royal Decree 216/2008 of 15 February 2008, on capital of financial institutions. The Circular also completes the adaptation of Spanish legislation to European Community directives 2006/48/EC of the European Parliament and of the Council, of 14 June 2006, and 2006/49/EC of the European Parliament and of the Council, of 14 June 2006.

In December 2010 the Committee on Banking Supervision published a new global regulatory framework to strengthen international capital standards (Basel III), which tightened the quality, consistency and transparency requirements for capital and improved risk coverage. Directive 2013/36/EU (CRD IV) was published on 26 June 2013 and repeals Directives 2006/48/EC and 2006/49/EC and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR), which incorporate the legal framework of Basel III into European law. These regulations are applicable from 1 January 2014.

The application of the capital requirements laid down in the CRR as of 1 January 2014 implies the repeal of lower-ranking regulations stipulating additional capital requirements and, in particular, the core capital requirements established in Circular 7/2012.

Group management has established the following strategic objectives in relation to its capital management:

- Consistently comply with applicable legislation on minimum capital requirements, at both individual and consolidated level.

- Seek maximum capital management efficiency in order for capital consumption to be considered, alongside other return and risk variables, as a fundamental parameter in analyses associated with the Group's investment decision making.

- Reinforce the proportion of tier I capital with respect to Group capital as a whole.

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

- The Group has a monitoring and control unit that analyses levels of compliance with Bank of Spain capital regulations, to guarantee compliance with applicable legislation and the coherency of decisions made by the different areas and units of the Entity with the objectives set, to ensure that minimum capital requirements are met.

- The impact of this unit on the Group's capital base is considered a key decision-making factor in the Group's strategic and commercial planning and in the analysis and monitoring of Group transactions.

The Entity therefore considers capital and the capital requirements established by the aforementioned legislation as a fundamental management aspect of the Group, affecting Entity investment decisions, analysis of transaction feasibility, the profit distribution strategy of the subsidiaries and the Entity and Group issuance strategy, etc.

Bank of Spain Circular 3/2008 of 22 May 2008 and subsequent amendments stipulate which items should be considered as capital for compliance with the minimum capital requirements set out in the Circular. For the purposes of the aforementioned Circular, capital is classified as tier I capital and tier II capital. This differs from capital calculated in accordance with EU-IFRS, which consider certain items as such and require other items not considered under EU-IFRS to be deducted. The methods for consolidation and measurement of investees to be applied when calculating the Group's minimum capital requirements differ under prevailing legislation from those applied in the preparation of these consolidated annual accounts. This situation also leads to differences in the calculation of capital under the Circular and under EU-IFRS.

The Group's capital management is in line with Bank of Spain Circular 3/2008 and subsequent amendments, in terms of conceptual definitions. The Group calculates its capital base in accordance with standard 8 of Bank of Spain Circular 3/2008 and subsequent amendments.

The minimum capital requirements established by the aforementioned Circular and subsequent amendments are calculated based on 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 risk and gold position (based on the global net position in foreign currency and the net position in gold) and operational risk. The Group is also required to comply with the risk concentration limits set out in the Circular and with internal corporate governance, capital self-assessment and interest rate risk measurement obligations, as well as obligations regarding public information to be issued to the market, also specified in the aforementioned Circular. To guarantee that these objectives are met, the Group has implemented an integrated risk management process based on the above-mentioned policies.

Details of Group capital at 31 December 2013 and 2012 classified as tier I capital and tier II capital, calculated in accordance with Bank of Spain Circular 3/2008 of 22 May 2008 and subsequent amendments, which, as mentioned previously, reflects consolidated "capital for management purposes", and minimum capital requirements determined in accordance with the Circular, are as follows:

	Thousands of Euros	
	2013	**2012**
Capital	91,009	91,009
Reserves	245,785	211,550
Deductions	(1,185)	(2,835)
Tier 1 capital	**335,609**	**299,724**
Asset revaluation reserves	4,432	4,437
Subordinated financing	--	--
Other resources	17,599	12,617
Deductions	--	(997)
Other eligible capital	**22,031**	**16,057**
Total eligible capital	**357,640**	**315,781**
Contingent assets and liabilities	143,848	177,902
Trading portfolio and currency risk	21,991	10,041
Operating risk and other	10,440	8,303
Total minimum capital requirement	**176,279**	**196,246**
Surplus	**181,361**	**119,535**
Capital ratio (%)	**16.2**	**12.9**
Tier 1 (%)	**15.2**	**12.2**

Consequently, at 31 December 2013 and 2012, and during both years, the eligible capital of the Group and the Group entities subject to this requirement, considered on an individual basis, exceeded the requirements of the aforementioned Circular.

h) Deposit Guarantee Fund

The Entity participates in the Credit Institution Deposit Guarantee Fund (DGF). The contributions made to this fund in 2013 amounted to approximately Euros 254 thousand (Euros 172 thousand in 2012) and have been recognised under "Other operating expenses" in the accompanying consolidated income statement.

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 2013 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:

a) 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.

b) 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 2013 and 2012 no items have been reclassified as described in the preceding paragraph.

c) 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 2012 certain items were reclassified as described in the preceding paragraph (see note 24), while in 2013 no reclassifications were performed.

d) 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 2013 and 2012 is as follows:

	%			
	2013		**2012**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Quoted price in active markets	89.2	--	89.2	--
Internal measurement models	10.8	100.0	10.8	100.0
	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.
- Valuation adjustments for counterparty risk or default risk:

The Credit Valuation Adjustment (CVA) is an adjustment to OTC (Over the Counter) derivatives as a result of the credit risk exposure associated with each counterparty.

The CVA is calculated taking into account the potential exposure to each counterparty at each future maturity date. The CVA for a given counterparty is equal to the sum of the CVA at each maturity date.

The following inputs are used to calculate the CVA:

- Expected exposure: includes the present market value and potential future risk of each operation. Certain risk mitigating factors such as collateral and netting contracts are also taken into account, as is the time decay of derivatives with interim payments.

- Probability of default: if no market information is available (CDS spread curve, etc.) the Group uses probabilities estimated on the basis of the counterparties' ratings.

- Loss given default: percentage of final loss assumed by the bank in the event of default by the counterparty or a credit event.

- Discount curve.

The Debt Valuation Adjustment (DVA) is a valuation adjustment similar to the CVA, except that it results from the risk assumed by the counterparties of the OTC derivatives vis-a-vis the Group.

The Bank's directors consider that financial assets and financial liabilities in the 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

A financial asset is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to a negative impact on the future cash flows that were estimated at the transaction date.

- In the case of equity instruments, mean that their carrying amount cannot be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident, and the reversal of any previously recognised impairment losses is recognised in the consolidated income statement for the year in which the impairment is reversed or reduced.

Balances are considered impaired if there is reasonable doubt as to the recovery of the full amount and/or the collection of corresponding interest in the amounts and at the dates initially agreed, after considering the guarantees received by the Bank to (fully or partially) ensure that the operations materialise. Collections relating to non-performing loans and credit facilities are applied in the recognition of accrued interest and any excess is applied to reduce the outstanding amount of the principal. The amount of financial assets that would have been impaired had their terms not been renegotiated is not significant to the financial statements of the Bank taken as a whole.

When the recovery of any recognised impairment is considered unlikely, the amount of the impairment is derecognised, without prejudice to any initiatives that the consolidated entities may undertake to seek collection of the amount receivable until their contractual rights are extinguished by expiry of the statute-of-limitations period, pardoning of debt or any other cause.

II. Debt instruments measured at amortised cost

Allowances and provisions for credit risk have been based on the Group's best estimate of impairment of the portfolio of debt instruments and other assets and commitments due to the credit risk to which the Bank is exposed, considering the methods contained in Appendix IX of the Bank of Spain's Circular 4/2004 and subsequent amendments, based on past experience and information on the financial sector.

Valuation adjustments for instruments classified as doubtful due to customer arrears not carried at fair value through profit or loss have been calculated specifically based on their age, guarantees or collateral provided and the expected recovery of these balances.

A general provision has been made to cover impairment of the remaining debt instruments not measured at fair value through profit or loss and contingent exposures classified as performing.

III. Debt or equity instruments classified as available for sale

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

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 consolidated income statement. If all or part of the impairment losses are subsequently reversed, the reversed amount would be recognised in the consolidated income statement for the year in which the reversal occurred (under “Valuation adjustments – Available-for-sale financial assets” in the consolidated balance sheet in the case of equity instruments).

IV. Equity instruments measured at cost

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 consolidated income statement for the period in which they arise as a direct 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

Goodwill

Goodwill represents the payment made by the Group in anticipation of the future economic benefits from assets of acquired entities that cannot be individually identified and separately recognised. Goodwill is only recognised if acquired in a business combination. Any negative goodwill is assigned to specific assets or liabilities and remaining amounts are recognised in the consolidated income statement in the year of acquisition.

Goodwill acquired subsequent to 1 January 2004 is measured at cost whereas goodwill acquired prior to this date is recognised at its carrying amount at 31 December 2003. In both cases, at each year end the Group tests goodwill for any impairment losses and reduces its recoverable value to an amount lower than the carrying amount when impairment losses are identified. In this case, the carrying amount is restated and the impairment loss is recognised under “Impairment of assets – Goodwill” in the consolidated income statement.

Impairment losses on goodwill are not reversed.

II. Other intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are 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 acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated 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.

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 31 and 37).

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:

I. Interest income, interest expenses and similar items

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.

II. Commissions, fees and similar items

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.

III. Non-finance income and expenses

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 29). The details of third-party assets managed by the Group at 31 December 2013 and 2012 are disclosed in note 22.

n) Post-employment benefits

The Group recognises the present value of defined benefit pension commitments, net of the fair value of the plan assets and the cost of past services, the recognition of which is deferred, in “Provisions - Provisions for pensions and similar obligations” under liabilities (or in “Other assets - Others” under assets, depending on whether the difference is positive or negative and provided that the recognition conditions set out in Bank of Spain Circular 4/2004 of 22 December 2004 and subsequent amendments are met), as explained below.

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.

Actuarial gains and losses are deemed to be those arising from differences between previous actuarial assumptions and what has actually occurred in the plan and from changes in the actuarial assumptions used.

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.

Actuarial gains and losses are deemed to be those arising from differences between previous actuarial assumptions and what has actually occurred in the plan and from changes in the actuarial assumptions used.

Details of the present value of the Group’s post-employment benefit obligations at 31 December 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Present value of obligations	913	935
Fair value of plan assets	984	956
Positive difference	**71**	**21**

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:

	2013	**2012**
Technical interest rate	3,00%	2,80%
Mortality tables	PERM/F 2000P	PERM/F 2000P
Cumulative annual CPI growth	2%	2%
Annual salary increase rate	3%	3%
Annual Social Security pension increase rate	2%	2%

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 distribution of the Bank's net profit for 2013 that the board of directors will propose for approval by the shareholders at the annual general meeting is as follows:

	Thousands of Euros
Net profit for 2013	42,472
Distribution:	
Dividends	--
Reserves	
Legal reserves	598
Voluntary reserves	41,874

Earnings per share

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

	2013	2012
Net profit for the year attributable to the Group (thousands of Euros)	43,019	21,860
Number of ordinary shares outstanding (note 18)	1,514,297	1,514,297
Earnings per share (Euros)	28.41	14.44

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 2013 and 2012 are as follows:

Thousands of Euros

Director	2013	2012	
Mr. José Luis García Palacios (Chairman)	32	29	
Mr. José Luis García-Lomas Hernández (First Vice-chairman)	10	11	
Mr. Pedro García Romera (Second Vice-chairman)	9	9	
Mr. Bruno Catalán Sebastián	--	6	Director until 29/05/2013
Mr. Ignacio Arrieta del Valle (1)	13	12	
Mr. Nicanor Bascuñana Sánchez	10	10	
Mr. Luis Esteban Chalmovsky	7	10	
Mr. Luis Díaz Zarco	1	9	Director until 20/03/2013
Mr. Andrés Gómez Mora	4	10	Director until 29/05/2013
Mr. Carlos Martínez Izquierdo	10	10	
Mr. Carlos de la Sierra Torrijos	10	10	
Mr. José Antonio Alayeto Aguarón	10	10	
Mr. Dimas Rodríguez Rute (2)	12	12	
Mr. Cipriano García Rodríguez (3)	12	11	
Ms. Dagmar Werner	10	10	
Mr. José María Quirós Rodríguez	11	5	
Mr. Fernando Berge Royo	5	--	Director since 29/05/2013
Mr. Jesús Méndez Alvarez-Cedrón (4)	6	--	Director since 29/05/2013
Mr. Fernando Palacios González	--	7	Director until 22/03/2013
Mr. Eduardo Ferrer Perales	--	2	Director until 11/10/2012
Mr. Juan Antonio Gisbert	--	4	Director until 11/10/2012
Mr. Antonio Abelló Dalmases	--	--	Director until 11/10/2012
Total	**172**	**187**	

(1) Amount received by Caja Rural de Navarra

(2) Amount received by Caja Rural de Granada

(3) Amount received by Caja Rural de Zamora

(4) Amount received by por Caixa Rural Galega

Loans

The Group has extended no loans to the Bank's directors at 31 December 2013 or 2012.

Details of the directors' investments in companies with similar business activities

In compliance with article 229 (iii) of the revised Spanish Companies Act, introduced by Law 26/2003 of 17 July 2003 which amends Law 24/1988 of 28 July 1988 governing the securities market, in order to increase the transparency of listed companies details of the direct or indirect shareholdings held by the directors in companies with identical, similar or complementary statutory activities to that of Banco Cooperativo Español, S.A., as well as any positions held or duties performed in such companies, are provided in Appendix III.

We also confirm that the members of the board have not had any conflicts of interest with the Bank in 2013.

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 2013 and 2012, considered to be key management personnel within the Group.

Details are as follows:

	Short-term remuneration					
	Thousands of Euros					
	Fixed		Variable		Total	
	2013	2012	2013	2012	2013	2012
Senior management	1,748	1,731	513	475	2,261	2,206

Gender distribution of the board of directors

At 31 December 2013 the board of directors was formed by 14 male members and one female member (16 male members and one female member at 31 December 2012).

5. Cash and Balances with Central Banks

Details are as follows:

	Thousands of Euros	
	2013	2012
Cash	700	654
Bank of Spain		
Current account	183,754	136,729
Valuation adjustments	83	284
Total	**184,537**	**1,551,888**

Amounts deposited in central banks at 31 December 2013 and 2012 earned interest at an average rate of 0.48% and 0.85%, 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 37).

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

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	
	2013	2012	2013	2012
Counterparty				
Credit institutions	4,194,829	1,664,959	397,086	389,901
Resident general government	475,520	390,302	--	--
Other resident sectors	262,016	263,771	30,777	30,147
Other non-resident sectors	586	2,222	--	--
Total	**4,932,951**	**2,321,254**	**427,863**	**420,048**
Instrument				
Debt securities	4,505,772	1,902,420	--	--
Other equity instruments	281	237	--	--
Trading derivatives	426,898	418,597	427,863	420,048
Total	**4,932,951**	**2,321,254**	**427,863**	**420,048**

Loaned or pledged securities amount to Euros 2,916,327 thousand at 31 December 2013 (Euros 1,708,689 thousand at 31 December 2012).

Trading portfolio. Debt securities

Details are as follows:

	Thousands of Euros	
	2013	**2012**
Spanish government debt securities	4,027,661	1,664,819
Issued by credit institutions	475,520	232,060
Other Spanish fixed-income securities	2,287	4,986
Other non-resident fixed-income securities	304	555
Total	**4,505,772**	**1,902,420**

Debt securities held for trading earned interest at an average annual rate of 1.87% in 2013 (3.23% in 2012).

Trading portfolio. Other equity instruments

Details are as follows:

	Thousands of Euros	
	2013	**2012**
Shares in Spanish companies	--	--
Shares in foreign companies	281	237
Total	**281**	**237**

Trading portfolio. Trading derivatives

Details of the fair value of trading derivatives at 31 December 2013 and 2012, by type of instrument, are as follows:

	Thousands of Euros			
	Assets		**Liabilities**	
	2013	**2012**	**2013**	**2012**
Purchase of foreign currencies	1,846	1,188	1,826	1,027
Interest rate derivatives	405,900	383,858	406,736	386,588
Equity price risk derivatives	18,850	32,237	19,301	32,433
Other risk derivatives	302	1,314	--	--
Total	**426,898**	**418,597**	**427,863**	**420,048**

The notional values of derivatives held for trading at 31 December 2013 and 2012, by maturity date, are as follows:

	2013			
	Thousands of Euros			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Purchase of foreign currencies	188,528	--	--	188,528
Interest rate derivatives	3,105,919	4,607,123	12,913,637	20,626,679
Equity price risk derivatives	1,120,654	1,917,906	104,426	3,142,986
Other risk derivatives	239,000	--	--	239,000
Total	**4,654,101**	**6,525,029**	**13,018,063**	**24,197,193**

	2012			
	Thousands of Euros			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Purchase of foreign currencies	124,958	1,200	--	126,158
Interest rate derivatives	1,416,714	3,165,578	13,699,901	18,282,193
Equity price risk derivatives	825,047	2,230,001	84,471	3,139,519
Other risk derivatives	--	240,000	--	240,000
Total	**2,366,719**	**5,636,779**	**13,784,372**	**21,787,870**

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 (see note 37).

6.2 Other financial liabilities at fair value through profit or loss

Details are as follows:

	Thousands of Euros	
	2013	2012
Counterparty		
Credit institutions	--	43,937
Total	**--**	**43,937**
Instrument		
Deposits from credit institutions	--	43,937
Total	**--**	**43,937**

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	
	2013	**2012**
Counterparty		
Credit institutions	1,574,933	380,263
Resident general government	350,912	1,168,087
Other resident sectors	39,042	22,367
Other non-resident sectors	3,613	2,861
Impairment losses	(281)	(337)
Total	**1,968,219**	**1,573,241**
Instrument		
Debt securities	1,955,398	1,558,500
Spanish government debt securities	1,574,933	1,168,087
Issued by credit institutions	349,004	378,355
Other Spanish fixed-income securities	28,207	10,017
Other non-resident fixed-income securities	3,535	2,378
Impairment losses	(281)	(337)
Other equity instruments	12,821	14,741
Shares in credit institutions	1,908	1,908
Shares in Spanish companies	5,171	7,190
Shares in foreign companies	78	78
Mutual fund units	5,664	5,565
Total	**1,968,219**	**1,573,241**

Available-for-sale debt securities earned interest at an average rate of 2.76% in 2013 (3.23% in 2012).

In 2012 the Entity reclassified financial assets to held-to-maturity investments (see notes 9 and 24). In 2013 there were no reclassifications between portfolios.

Loaned or pledged debt securities amounted to Euros 976,816 thousand at 31 December 2013 (Euros 1,121,212 thousand in 2012).

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 37, whereas certain information on the fair value of these assets is provided in note 23.

Available-for-sale financial assets. Past-due impaired assets

At 31 December 2013 and 2012 there were no individual available-for-sale financial assets which could have been considered impaired due to credit risk.

8. Loans and receivables

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

	Thousands of Euros	
	2013	**2012**
Loans and advances to credit institutions	15,947,640	15,636,752
Loans and advances to other debtors	668,980	1,142,948
Debt securities	59,246	9,000
Subtotal	**16,675,866**	**16,788,700**
Valuation adjustments		
Impairment losses	(36,084)	(21,295)
Other valuation adjustments	113,497	90,381
Total	**16,753,279**	**16,857,786**

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 37, 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	
	2013	**2012**
Instrument		
Time deposits	11,554,223	11,152,077
Reverse repos	4,113,628	3,267,547
Other accounts	279,789	1,217,128
Subtotal	**15,947,640**	**15,636,752**
Valuation adjustments	113,767	89,451
Total	**16,061,407**	**15,726,203**

Loans and advances to credit institutions earned interest at an average annual rate of 1.27% in 2013 (2.03% in 2012).

Loans and receivables. Loans and advances to other debtors

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

	Thousands of Euros	
	2013	**2012**
Instrument and status		
Commercial credit	39,384	47,168
Secured loans	122,574	107,130
Reverse repos	104,883	--
Other term loans	262,821	903,639
Finance leases	7,333	9,728
Receivable on demand and others	10,113	5,615
Other accounts	112,910	67,006
Doubtful assets	8,962	2,662
Subtotal	**668,980**	**1,142,948**
Impairment losses	(36,084)	(21,295)
Other valuation adjustments	(270)	930
Total	**632,626**	**1,122,583**
Counterparty		
Spanish general government	91,448	684,341
Other resident sectors	572,587	451,172
Other non-resident sectors	4,945	7,435
Subtotal	**668,980**	**1,142,948**
Impairment losses	(36,084)	(21,295)
Other valuation adjustments	(270)	930
Total	**632,626**	**1,122,583**

Loans and advances to other debtors earned interest at an average annual rate of 3.81% in 2013 (3.89% in 2012).

Loans and receivables. Debt securities

Details by instrument are as follows:

	Thousands of Euros	
	2013	**2012**
Spanish general government	59,146	9,000
Other resident sectors	100	--
Impairment losses	--	--
Total	**59,246**	**9,000**

These financial instruments earned interest at an average annual rate of 3.28% in 2013 (8% in 2012).

9. Held-to-maturity investments

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

	Thousands of Euros	
	2013	**2012**
Instrument		
Debt securities:		
Spanish government debt securities	125,520	157,902
Issued by credit institutions	244,312	286,521
Impairment losses	--	--
Total	**369,832**	**444,423**

At 31 December 2013 and 2012 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 277,078 thousand at 31 December 2013 (Euros 351,529 thousand in 2012).

Held-to-maturity investments earned interest at an average annual rate of 3.50% in 2013 (3.52% in 2012).

In 2012 the Entity reclassified certain available-for-sale financial assets to this portfolio. In 2013 there were no reclassifications between portfolios (see notes 7 and 24).

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 37, whereas certain information on the fair value of these assets is provided in note 23.

10. Equity Investments: Associates

Details of this caption are as follows:

	Thousands of Euros	
	2013	**2012**
Espiga Capital Inversión, S.C.R. de R.S., S.A.	8,404	7,900
Espiga Capital Inversión II, S.C.R. de R.S., S.A.	305	1,052
Mercavalor, S.V., S.A.	--	2,619
Total	**8,709**	**11,571**

The amount corresponding to Mercavalor S.V. S.A. includes goodwill of Euros 626 thousand at 31 December 2012. On 10 December 2013 the Bank sold all its shares in Mercavalor S.V. S.A. for Euros 1,141 thousand, a price similar to the carrying amount recognised by the Bank.

Movement in 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	**2012**
Initial balance	**11,571**	**12,086**
Dividends received and share premium reimbursed	(1,101)	(2,989)
Acquisition of shares in Espiga Capital Inversión, S.C.R. de R.S., S.A.	598	1,758
Effect of equity accounting	1,007	716
Write-down of interest in Espiga Capital Inversión II, S.C.R. de R.S., S.A.	(747)	--
Sale of interest in Mercavalor, S.V., S.A.	(2,619)	--
Final balance	**8,709**	**11,571**

11. Tangible assets

Movement in 2013 and 2012 is as follows:

	Thousands of Euros			
	Real estate	**Furniture and fixtures**	**IT equipment**	**Total**
Cost				
Balance at 31 December 2011	17,749	3,830	2,512	24,091
Additions	--	87	152	239
Disposals	--	(342)	--	(342)
Balance at 31 December 2012	17,749	3,575	2,664	23,988
Additions	--	265	32	297
Disposals	--	--	--	--
Balance at 31 December 2013	17,749	3,840	2,696	24,285
Accumulated depreciation				
Balance at 31 December 2011	(2,625)	(2,519)	(2,181)	(7,325)
Additions	(169)	(227)	(157)	(553)
Disposals	--	339	--	339
Balance at 31 December 2012	(2,794)	(2,407)	(2,338)	(7,539)
Additions	(537)	(210)	(140)	(887)
Disposals	--	--	--	--
Balance at 31 December 2013	(3,331)	(2,617)	(2,478)	(8,426)
Net tangible assets				
Balance at 31 December 2012	**14,955**	**1,168**	**326**	**16,449**
Balance at 31 December 2013	**14,418**	**1,223**	**218**	**15,859**

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 2013 and 2012 the cost of fully-depreciated tangible assets for own use in service amounts to Euros 3,498 thousand and Euros 3,384 thousand, respectively.

12. Intangible Assets

Movement in 2013 and 2012 is as follows:

	Thousands of Euros
Cost	**Other intangible assets**
Balance at 31 December 2011	8,048
Additions	773
Disposals	--
Balance at 31 December 2012	8,821
Additions	811
Disposals	--
Balance at 31 December 2013	9,632
Accumulated amortisation	
Balance at 31 December 2011	(6,598)
Additions	(1,012)
Disposals	--
Balance at 31 December 2012	(7,610)
Additions	(837)
Disposals	--
Balance at 31 December 2013	(8,447)
Net intangible assets	
Balance at 31 December 2012	**1,211**
Balance at 31 December 2013	**1,185**

At 31 December 2013 and 2012 the cost of fully-amortised intangible assets for own use in service amounts to Euros 7,117 thousand and Euros 5,378 thousand, respectively.

13. Financial liabilities at amortised cost

Details by type of counterparty are as follows:

	Thousands of Euros	
	2013	**2012**
Deposits from central banks	7,057,088	7,165,332
Deposits from credit institutions	9,869,811	8,841,394
Deposits from other creditors	3,690,718	1,685,160
Debt certificates including bonds	2,813,439	2,918,966
Subordinated liabilities	--	10,001
Other financial liabilities	7,956	34,599
Total	**23,439,012**	**20,655,452**

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 37).

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

Deposits from central banks and from credit institutions

Details by nature are as follows:

	Thousands of Euros	
	2013	**2012**
Nature		
Time deposits	10,272,653	8,589,565
Repurchase agreements	2,032,563	2,717,222
Other accounts	4,475,642	4,578,374
Valuation adjustments	146,041	121,565
Total	**16,926,899**	**16,006,726**

At 31 December 2013 time deposits include Euros 181,990 thousand (Euros 238,882 thousand in 2012) for intermediary loans received from the Spanish Official Credit Institute.

These instruments accrued interest at an average rate of 1.02% in 2013 (1.85% in 2012).

Deposits from other creditors

Details by nature and currency are as follows:

	Thousands of Euros	
	2013	**2012**
Nature		
Demand deposits	500,765	450,909
Time deposits	14,137	13,919
Repurchase agreements	3,175,702	1,220,249
Valuation adjustments	114	83
Total	**3,690,718**	**1,685,160**

These instruments accrued interest at an average rate of 0.12% in 2013 (0.39% in 2012).

Debt certificates including bonds

Details are as follows:

	Thousands of Euros	
	2013	**2012**
Promissory notes and bills	1,181	107,036
Other non-convertible securities	3,330,312	3,330,312
Treasury shares	(519,406)	(496,793)
Valuation adjustments	1,352	(21,589)
Total	**2,813,439**	**2,918,966**

At 31 December 2013 and 2012 promissory notes and bills reflected the balance in circulation of the second promissory notes issue programme, for a nominal amount totalling Euros 800 million, which was recorded at the Spanish National Securities Market Commission on 22 November 2011. These securities are listed on the AIAF (Spanish association of securities dealers) organised market.

The nominal amount of issued promissory notes that had yet to mature at 31 December 2013 stood at Euros 1,250 thousand and accrued average interest of 3.94% (Euros 111,150 thousand and 3.84%, respectively, at 31 December 2012).

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 comprising 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 and Euros 1,795 million, respectively. The following issues were carried out under these programmes:

	Currency	Issue date	Maturity date	Interest rate	Thousands of Euros 2013	2012
Ordinary bonds. Third issue in 2009 under State guarantee	Eur	22/01/2010	22/01/2015	3.125%	899,712	899,712
Ordinary bonds. Fourth issue in 2008 under State guarantee	Eur	02/12/2011	02/06/2014	4.878%	930,600	930,600
Ordinary bonds. Fifth issue in 2012 under State guarantee	Eur	27/03/2012	27/03/2015	3-month Euribor +2%	610,000	610,000
Ordinary bonds. Sixth issue in 2012 under State guarantee	Eur	27/03/2012	27/03/2017	3-month Euribor +2.5%	890,000	890,000
Total					**3,330,312**	**3,330,312**

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

The amounts recognised under "Own securities" reflect the amortised cost of different purchases of ordinary bonds from the third, fourth, fifth and sixth issues made in 2013 and 2012, for a nominal amount of Euros 22,650 thousand and Euros 496,850 thousand and an effective amount of Euros 23,086 thousand and Euros 510,042 thousand, respectively. The results of the aforementioned acquisitions were recognised under "Gains or losses on financial assets and financial liabilities (net)" in the accompanying income statement (see note 31).

Interest accrued on debt certificates including bonds totalled Euros 119,394 thousand in 2013 (Euros 157,552 thousand in 2012) (see note 26).

Subordinated liabilities

Details are as follows:

	Date of grant	Final maturity date	Interest rate	Thousands of Euros 2013	2012
Subordinated loan	23/12/2008	30/12/2013	EUR 12m +2.50%	--	10,000
Valuation adjustments				--	1
Total				**--**	**10,001**

Subordinated loans rank behind ordinary creditors for the purposes of payment priority.

Interest accrued on subordinated liabilities during 2013 amounts to Euros 307 thousand (Euros 454 thousand in 2012) (see note 26).

Other financial liabilities

Details are as follows:

	Thousands of Euros	
	2013	**2012**
Obligations payable	2,379	2,852
Collateral received	15	14
Clearing houses	--	--
Tax collection accounts	954	1,507
Special accounts	4,423	30,029
Financial guarantees	174	183
Other	11	14
Total	**7,956**	**34,599**

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 sets forth measures to combat late payment on commercial transactions and which is implemented through the ruling issued by the Spanish Institute of Accountants and Auditors (ICAC) on 29 December 2010, the following should be noted:

- In light of the activities in which the Entity is engaged (financial activities), it does not conduct direct trade operations that would have a relevant effect on individual figures. For the purposes of this note, therefore, debt deferrals have been considered to reflect primarily 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.

- Pursuant to the reporting obligation stipulated in Law 15/2010 of 5 July 2010 in relation to the Bank's trade suppliers and service providers, and taking into account the second transitional provision of the ICAC ruling of 29 December 2010, no payables exceeded the maximum legal payment term at 31 December 2013 or 2012. Payments made by the Entity to suppliers and service providers amounted to Euros 8,924 thousand in 2013 (Euros 8,751 thousand in 2012).

14. Other Assets and Liabilities

Details are as follows:

	Thousands of Euros	
	Other assets	
	2013	2012
Prepayments and accrued income	2,142	1,278
Amounts received and other settled documents pending application	--	80,019
Other	6,865	9,118
Total	**9,007**	**90,415**

	Other liabilities	
	2013	2012
Accrued expenses and deferred income: Accrued expenses	19,700	22,710
Other	5,682	6,756
Total	**25,382**	**29,466**

15. Hedging derivatives

The fair value of hedging derivatives is as follows:

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges:				
Hedging derivatives	--	5,751	--	8,175

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 2013 and 2012 the nominal amount of derivatives contracted to hedge interest rates amounted to Euros 83,600 and Euros 91,200 thousand, respectively.

Gains or losses on hedging instruments and the hedged item attributable to the hedged risk are not significant in 2013 and 2012 and are recognised under “Gains or losses on financial assets and liabilities (net) – Hedge accounting not included in interest” (see note 31).

16. Provisions

This item comprises provisions for contingent exposures and commitments. Movement during 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	**2012**
Opening balance	**687**	**1,092**
Net allowances charged to the income statement	(103)	(405)
Applications	(32)	--
Closing balance	**552**	**687**

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.

Movement during 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	**2012**
Opening balance	**(7,157)**	**(10,601)**
Net revaluation gains/(losses)	16,915	7,405
Amounts transferred to the income statement	505	(2,467)
Entities accounted for using the equity method	(82)	(12)
Income tax	(5,226)	(1,482)
Closing balance	**4,955**	**(7,157)**

18. Share Capital

At 31 December 2013 and 2012, 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.

Shareholders holding more than 10% of share capital at 31 December 2013 and 2012 are as follows:

	% ownership	
Entity	**2013**	**2012**
DZ Bank AG	12.02	12.02

The Bank held no treasury shares at 31 December 2013 or 31 December 2012.

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 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Accumulated reserves		
Legal reserves	17,604	15,550
Other reserves	90,170	79,590
Revaluation reserves (note 11)	4,432	4,437
Consolidation reserves attributable to the Bank	22	22
Reserves in subsidiaries	17,429	15,561
Total	**129,657**	**115,160**
Reserves of entities accounted for using the equity method		
Associates	428	2,063
Total	**428**	**2,063**

Movement

Details of changes in this caption of consolidated equity in 2013 and 2012 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	
	2013	**2012**
Rural Informática, S.A.	5,289	5,020
Gescooperativo, S.A., S.G.I.I.C.	9,159	8,074
Espiga Capital Gestión, S.G.C.R., S.A.	684	354
Rural Inmobiliario, S.L.	1,312	1,129
BCE Formación, S.A.	514	580
Rural Renting, S.A.	471	404
Total	**17,429**	**15,561**

Reserves of entities accounted for using the equity method

Details are as follows:

	Thousands of Euros	
	2013	**2012**
Espiga Capital Inversión, S.C.R. de R.S., S.A and subsidiaries	428	974
Mercavalor, S.V., S.A.	--	1,089
Total	**428**	**2,063**

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	
	2013	**2012**
Banco Cooperativo Español, S.A.	38,265	17,914
Rural Informática, S.A.	570	482
Rural Inmobiliario, S.L.	620	163
Gescooperativo, S.A., S.G.I.I.C.	2,406	1,884
BCE Formación, S.A.	103	84
Espiga Capital Gestión, S.G.C.R., S.A.	1	538
Rural Renting, S.A.	47	67
Espiga Capital Inversión, S.C.R. de R.S., S.A and subsidiaries (note 28)	1,007	728
Total	**43,019**	**21,860**

20. Taxation

Tax assets and liabilities

Details at 31 December 2013 and 2012 are as follows:

	Thousands of Euros			
	Current		Deferred	
	2013	2012	2013	2012
Tax assets				
Temporary differences	--	--	13,498	8,927
VAT	161	124	--	--
Other	5,480	4,362	--	--
Total	**5,641**	**4,486**	**13,498**	**8,927**
Tax liabilities				
Temporary differences (liabilities)	--	--	6,605	2,160
Income tax	578	479	--	--
VAT	461	490	--	--
Other	1,316	338	--	--
Total	**2,355**	**1,307**	**6,605**	**2,160**

Movement in deferred tax assets and liabilities in 2013 and 2012 is as follows:

	Thousands of Euros	
	Assets	Liabilities
Balance at 31 December 2011	**8,257**	**1,870**
Additions	2,618	395
Disposals	(1,948)	(105)
Balance at 31 December 2012	**8,927**	**2,160**
Additions	6,266	5,450
Disposals	(1,695)	(1,005)
Balance at 31 December 2013	**13,498**	**6,605**

Royal Decree-Law 14/2013 on urgent measures to adapt Spanish law to EU regulations on the supervision and solvency of financial institutions introduces various measures aimed at permitting certain deferred tax assets to continue to be classed as eligible capital, in line with regulations in force in other EU member states. These measures include the amendment to the Revised Spanish Income Tax Law approved by Royal Legislative Decree 4/2004, especially with respect to the conversion of deferred tax assets into receivables from the taxation authorities. At 31 December 2013 the Bank estimates that the foregoing will give rise to Euros 9,685 thousand in taxes recoverable from the taxation authorities.

Additions to deferred tax assets are mainly non-deductible provisions for bad debts, pension obligations, impairment of investments, amortisation/depreciation not deductible for tax purposes and the tax effect of decreases in the value of assets at fair value through equity. Disposals comprise tax recoverable for the use of non-deductible bad debt allowances (general and substandard risk) and for income that is not eligible for tax purposes, deriving from prepaid fees and commissions (see note 2-p).

Additions to deferred tax liabilities mainly reflect the tax effect of increases in the value of liabilities at fair value through equity. Disposals are essentially the tax effect of decreases in the value of liabilities at fair value through equity (see note 2-p).

Independently of income tax recognised in the consolidated income statement, at 31 December 2013 and 2012 the Group has recognised taxes of Euros 3,498 thousand and Euros 3,383 thousand relating to valuation adjustments to available-for-sale financial assets directly in equity. These accounting entries will be maintained until the assets are sold.

Taxation

Profits, determined in accordance with tax legislation, are subject to tax at a rate of 30%, which may be reduced by certain credits.

A reconciliation of accounting profit for 2013 and 2012 with the taxable income that the Group expects to declare after approval of the consolidated annual accounts is as follows:

	Thousands of Euros	
	2013	**2012**
Accounting profit for the year before income tax	60,851	31,020
Increase for permanent differences	(333)	61
Taxable accounting income	60,518	31,081
Temporary differences		
Increases (net)	14,976	6,197
Taxable income	75,494	37,278
Tax at 30%	22,648	11,183
Withholdings and payments on account	(17,238)	(10,422)
Credits and deductions	(60)	(66)
Effect of the Group’s share in net profit of associates	(282)	(216)
Income tax payable	**5,068**	**479**

The permanent differences in the tax base correspond to certain non-deductible expenses for donations, and the effect on the consolidated group of the single tax rate applicable to asset revaluations resulting from the balance sheet revaluation performed in accordance with Article 9 of Law 16/2012 of 28 December 2012.

Temporary differences primarily include tax adjustments to the general provision for pension obligations, non-deductible provisions for loan losses, the reversal of deferred fees and commissions on first-time application of Circular 4/2004, the non-deductibility of impairment losses on investments and the 70% limit on the tax deductibility of amortisation/depreciation. The reductions in income tax payable are due to deductions for double taxation, donations and R&D&I expenses.

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

	Thousands of Euros	
	2013	**2012**
Income tax expense for the year:		
Taxable accounting income at 30%	18,156	9,324
Credits and deductions	(60)	(66)
Effect of the Group's share in net profit of associates	(282)	(216)
Prior years' tax adjustments	12	(19)
Income tax expense	**17,826**	**9,023**
Foreign tax expense	6	3
Total	**17,832**	**9,026**

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

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 2013 the Group has open to inspection by the taxation authorities all main applicable taxes since 2009.

The different tax benefits applied in the calculation of income tax payable for 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Income tax payable:		
Deductions for double taxation	22	33
Deduction for R&D&I expenses	12	12
Deduction for donations and nursery school service	26	21
Total	**60**	**66**

At 31 December 2013 and 2012 the Group's balance sheet includes certain tangible assets for own use that have been revalued at Euros 6,638 thousand, in accordance with the First Transitional Provision of Bank of Spain Circular 4/2004 (see note 11). Pursuant to article 135 of the Revised Income Tax Law, this amount has not been included in the taxable income for 2013 and 2012.

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 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Financial guarantees	31,410	29,423
Irrevocable documentary credits	19,529	8,800
Other bank guarantees and indemnities provided	32,962	44,620
Total	**83,901**	**82,843**

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 29).

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 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Drawable by third parties	758,832	165,272
Regular way financial asset purchase contracts	160,664	7,226
Unpaid subscribed capital	138	1,673
Total	**919,634**	**174,171**

22. Off-Balance Sheet Funds Under Management

Details of off-balance sheet funds managed by the Group at 31 December 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Investment companies and mutual funds	2,344,531	2,155,507
Customer portfolios managed on a discretionary basis	617,094	564,777
Marketed but not managed by the Group	158,236	119,790
Total	**3,119,861**	**2,840,074**

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 2013 and 2012 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.

2013

Financial assets	Thousands of Euros									
	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	4,270,217	4,270,217	1,859,915	1,859,915	369,697	386,848	--	--	6,499,829	6,516,980
Equity instruments	281	281	8,098	8,098	--	--	--	--	8,379	8,379
Level 2:										
Debt securities	235,555	235,555	95,483	95,483	135	135	--	--	331,173	331,173
Deposits with credit institutions and central banks	--	--	--	--	--	--	16,061,407	16,355,171	16,061,407	16,355,171
Loans and advances to other debtors	--	--	--	--	--	--	632,626	673,263	632,626	673,263
Derivatives	426,898	426,898	--	--	--	--	--	--	426,898	426,898
Level 3:										
Debt securities	--	--	--	--	--	--	59,246	59,246	59,246	59,246
Equity instruments	--	--	4,723	4,723	--	--	--	--	4,723	4,723
Total	**4,932,951**	**4,932,951**	**1,968,219**	**1,968,219**	**369,832**	**386,983**	**16,753,279**	**17,087,680**	**24,024,281**	**24,375,833**

	Thousands of Euros							
Financial liabilities	Financial liabilities held for trading		Other liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	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	--	--	--	--	--	--		
Derivatives	427,863	427,863	--	--	--	--	427,863	427,863
Other financial liabilities	--	--	--	--	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**

2012

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	1,820,655	1,820,655	1,524,730	1,524,730	--	--	--	--	3,345,385	3,345,385
Equity instruments	237	237	7,762	7,762	--	--	--	--	7,999	7,999
Level 2:										
Debt securities	81,765	81,765	33,770	33,770	444,423	450,758	--	--	559,958	566,293
Deposits with credit institutions and central banks	--	--	--	--	--	--	15,726,203	15,946,339	15,726,203	15,946,339
Loans and advances to other debtors	--	--	--	--	--	--	1,122,583	1,466,388	1,122,583	1,466,388
Derivatives	418,597	418,597	--	--	--	--	--	--	418,597	418,597
Level 3:										
Debt securities	--	--	--	--	--	--	9,000	9,000	9,000	9,000
Equity instruments	--	--	6,979	6,979	--	--	--	--	6,979	6,979
Total	**2,321,254**	**2,321,254**	**1,573,241**	**1,573,241**	**444,423**	**450,758**	**16,857,786**	**17,421,727**	**21,196,704**	**21,766,980**

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	--	--	43,937	43,937	16,006,726	16,165,995	16,050,663	16,209,932
Deposits from other creditors	--	--	--	--	1,685,160	1,685,625	1,685,160	1,685,625
Debt certificates including bonds	--	--	--	--	2,918,966	3,171,893	2,918,966	3,171,893
Subordinated liabilities	--	--	--	--	10,001	10,249	10,001	10,249
Derivatives	420,048	420,048	--	--	--	--	420,048	420,048
Other financial liabilities	--	--	--	--	34,599	34,599	34,599	34,599
Total	**420,048**	**420,048**	**43,937**	**43,937**	**20,655,452**	**21,068,361**	**21,119,437**	**21,532,346**

b) *Valuation adjustments for default risk*

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 2013 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 Bank 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 was not significant at 31 December 2013 and, therefore, no amount was recognised under "Gains or losses on financial assets and financial liabilities (net)" in the consolidated income statement.

c) *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 2013 and 2012.

24. Reclassifications of Financial Instruments

Based on the criteria described in note 2 a) IV, and specifically due to a change in the intention to hold the investment, the Bank did not reclassify any amounts in 2013.

The Bank reclassified available-for-sale financial assets amounting to Euros 201,918 thousand to held-to-maturity investments in 2012 (see note 9). The balances recognised under “Valuation adjustments” in the Bank's equity were negative in an amount of Euros 382 thousand and Euros 287 thousand at the 2012 reclassification date and at 31 December 2012, respectively. As a result of these reclassifications, the Bank recognised an amount of Euros 95 thousand in the income statement in 2012. The effect of applying the fair value that would have been recognised in “Equity - Valuation adjustments” for 2012 had the financial assets not been reclassified to held-to-maturity investments is positive in an amount of Euros 6,799 thousand. The effective interest rate for the reclassified assets was 3.52% at 31 December 2012.

25. 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 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Balances with central banks	1,799	3,853
Loans and advances to credit institutions	238,086	336,481
Loans and advances to other debtors	37,390	32,154
Debt securities	128,955	112,465
Doubtful assets	23	6
Other interest	1,900	260
Total	**408,153**	**485,219**

26. 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 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	2012
Deposits from central banks	43,433	62,558
Deposits from credit institutions	177,287	195,071
Deposits from other creditors	2,556	11,069
Debt certificates including bonds (note 13)	119,394	157,552
Subordinated liabilities (note 13)	307	454
Rectifications as a result of hedging transactions	(13,438)	5,143
Other interest	428	246
Total	**329,967**	**432,093**

27. 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	
	2013	2012
Financial assets held for trading	--	3
Available-for-sale financial assets	135	210
Total	**135**	**213**

28. Share of Profit and Loss of Entities Accounted for Using the Equity Method

This caption comprises the amount of profit or loss attributable to the Group generated during the year by associates and jointly controlled entities accounted for using the equity method.

Details are as follows:

	Thousands of Euros	
	2013	2012
Espiga Capital Inversión, S.C.R. de R.S., S.A. and subsidiaries (note 19)	1,007	728
Total	**1,007**	**728**

29. Fee and Commission Income

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

Details are as follows:

	Thousands of Euros	
	2013	**2012**
Contingent exposures (note 21)	686	598
Contingent commitments (note 21)	64	45
Foreign currency exchange	500	638
Collection and payment service	2,002	1,913
Transfers, giros and other payment orders	27,557	21,423
Sale of non-banking products	1,325	1,215
Other fees and commissions	2,767	5,085
Total	**34,901**	**30,917**

30. 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	
	2013	**2012**
Fees and commissions assigned to other entities and correspondents	4,624	4,328
Fee and commission expenses on securities transactions	15,723	13,993
Other fees and commissions	18	41
Total	**20,365**	**18,362**

31. Gains or Losses on Financial Assets and Financial Liabilities and Exchange Differences (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	
	2013	**2012**
Financial assets held for trading	7,562	118
Other financial instruments at fair value through profit or loss	(208)	856
Available-for-sale financial assets	1,559	1,491
Loans and receivables	(64)	18
Held-to-maturity investments	--	22
Financial liabilities at amortised cost (note 13)	(409)	(9,936)
Total	**8,440**	**(7,431)**

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 284 thousand at 31 December 2013 (Euros 341 thousand at 31 December 2012) (see note 37-5).

32. 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	
	2013	**2012**
Wages and salaries	11,419	11,756
Social Security	2,318	2,333
Charges to pension plans	33	23
Other personnel expenses	291	227
Total	**14,061**	**14,339**

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

	2013		2012	
	Male	**Female**	**Male**	**Female**
Management team	15	1	15	1
Directors	18	6	21	5
Department managers	13	9	15	10
Technical specialists	25	40	19	34
Administrative personnel	31	54	32	66
Total	**102**	**110**	**102**	**116**
By type of contract				
Indefinite	102	109	99	116
Temporary	--	1	3	--
Total	**102**	**110**	**102**	**116**

At 31 December 2013 and 2012, three Group employees were disabled.

33. Other Administrative Expenses

Other administrative expenses are as follows:

	Thousands of Euros	
	2013	**2012**
Property, fixtures and materials	731	870
Information technology	2,227	2,131
Communications	1,223	1,231
Advertising and publicity	192	209
Legal and lawyer expenses	100	90
Technical reports	796	708
Security and armoured cash transport services	226	222
Insurance premiums	264	205
Governing and control bodies	215	237
Entertainment and staff travel expenses	256	257
Association membership fees	295	270
Outsourced administrative services	695	795
Contributions and taxes	431	361
Other	133	153
Total	**7,784**	**7,739**

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 2013 and 2012, as follows:

	Thousands of Euros			
	Bank		Group	
	2013	2012	2013	2012
Audit services	24	23	51	49
Other assurance services	44	--	44	15
Other services	27	15	27	3
Total	**95**	**38**	**122**	**67**

The amounts detailed in the above table include the total fees for services rendered in 2013 and 2012, 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 2013 and 2012:

	Thousands of Euros	
	2013	2012
Other services	--	16

34. Segment Reporting

Segmentation criteria

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 2013 and 2012:

- 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**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Gross margin	20,343	11,912	9,455	9,207	70,547	38,703	2,244	1,629	102,589	61,451
Administrative expenses, amortisation and depreciation	4,313	4,729	3,880	4,253	4,421	4,847	8,952	9,814	21,566	23,643
Provisions and impairment losses on financial assets	19,680	6,648	--	--	--	139	1,159	--	20,839	6,787
Profit on operating activities	(3,650)	535	5,575	4,954	66,126	33,717	(7,867)	(8,185)	60,184	31,021
Other profit	--	--	--	--	--	--	667	--	667	--
Profit before income tax	(3,650)	535	5,575	4,954	66,126	33,717	(7,200)	(8,185)	60,851	31,021
Corporate income tax	(1,070)	156	1,634	1,441	19,378	9,810	(2,110)	(2,381)	17,832	9,026
Consolidated profit for the year	(2,580)	379	3,941	3,513	46,748	23,907	(5,090)	(5,804)	43,019	21,995

35. Related Parties

In addition to the information provided in note 4 on remuneration received, details of balances and transactions with related parties during 2013 and 2012 are as follows:

	Thousands of Euros					
	Associates		Senior management		Other related parties	
Assets	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Loans and advances to other debtors	--	--	1,432	1,559	--	--
Allowances and provisions for credit risk	--	--	(23)	(26)	--	--
Liabilities						
Deposits from other customers	18,642	20,384	660	581	2	1
Debt certificates including bonds	--	--	--	--	--	--
Other						
Contingent liabilities	2,582	1,646	33	--	--	--
Commitments	--	--	11	--	--	--
Profit and loss						
Interest and similar income	--	--	25	27	--	--
Interest expense and similar charges	11	44	4	4	--	--
Share of profit or loss of entities accounted for using the equity method	1,007	728	--	--	--	--

36. 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 2013 Annual Report presented by the head of the service to the board of directors at their meeting held on 26 february 2014 is summarised below:

In 2013, the customer service department received 7 claims and/or complaints, of which 6 have been resolved, all relating to individual customers, leaving one pending resolution in 2014. In accordance with customer service regulations, all the complaints were accepted.

	Number	
Issue	**2013**	**2012**
Loans	1	--
Deposits	--	--
Other banking products	1	--
Collection and payment service	1	2
Pension funds and insurance:	--	1
Other	3	1
Total	**6**	**4**

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

	2013	2012
Aragon	--	--
Andalusia	--	1
Balearic Islands	--	--
La Rioja	1	--
Madrid	5	2
Navarre	--	--
Basque Country	--	--
Castile and León	--	1

37. 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 99.90% and 100.27% of the Group's total assets at 31 December 2013 and 2012, respectively (see note 1).

37.1 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.

37.1.1 Maximum credit risk exposure level

The following table shows the maximum credit risk exposure level assumed by the Group at 31 December 2013 and 2012 for each type of financial instrument, without deducting collateral or any other guarantees received to ensure repayment by borrowers:

	2013				
	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	--	--	15,947,640	--	15,947,640
Marketable securities	4,505,772	1,955,679	59,246	369,832	6,890,529
Loans and advances to other debtors	--	--	668,980	--	668,980
Total debt instruments	**4,505,772**	**1,955,679**	**16,675,866**	**369,832**	**23,507,149**
Equity instruments	**281**	**12,821**	**--**	**--**	**13,102**
Contingent exposures					
Guarantee deposits	--	--	31,410	--	31,410
Other contingent exposures	--	--	52,491	--	52,491
Total contingent exposures	**--**	**--**	**83,901**	**--**	**83,901**
Other exposures					
Derivatives	426,898	--	--	--	426,898
Contingent commitments	--	--	919,634	--	919,634
Total other exposures	**426,898**	**--**	**919,634**	**--**	**1,346,532**
Maximum credit risk exposure level	**4,932,951**	**1,968,500**	**17,679,401**	**369,832**	**24,950,684**

Type of instruments	2012				
	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	--	--	--	15,636,752	15,636,752
Marketable securities	1,902,420	1,558,837	444,423	9,000	3,914,680
Loans and advances to other debtors	--	--	--	1,142,948	1,142,948
Total debt instruments	**1,902,420**	**1,558,837**	**444,423**	**16,788,700**	**20,694,380**
Equity instruments	**237**	**14,741**	**--**	**--**	**14,978**
Contingent exposures					
Guarantee deposits	--	--	--	82,843	82,843
Other contingent exposures	--	--	--	53,420	53,420
Total contingent exposures	**--**	**--**	**--**	**136,263**	**136,263**
Other exposures					
Derivatives	418,597	--	--	--	418,597
Contingent commitments	--	--	--	174,171	174,171
Total other exposures	**418,597**	**--**	**--**	**174,171**	**592,768**
Maximum credit risk exposure level	**2,321,254**	**1,573,578**	**444,423**	**17,099,134**	**21,438,389**

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.

37.1.2 Classification of credit risk exposure by counterparty

The maximum credit risk exposure level at 31 December 2013 and 2012, classified by counterparty, is as follows:

	2013							
	Thousands of Euros							
	Spanish general government	**Financial institutions**	**Resident companies**	**Other resident sectors**	**Non-resident companies**	**Other non-resident sectors**	**Other operations**	**Total**
Debt instruments								
Loans and advances to credit institutions	--	15,947,640	--	--	--	--	--	15,947,640
Marketable securities	5,787,260	1,068,836	30,594	--	3,839	--	--	6,890,529
Loans and advances to other debtors	91,448		370,957	88,746	4,933	12	112,884	668,980
Total debt instruments	**5,878,708**	**17,016,476**	**401,551**	**88,746**	**8,772**	**12**	**112,884**	**23,507,149**
Equity instruments	**--**	**1,908**	**10,835**	**359**	**--**	**--**	**--**	**13,102**
Contingent exposures								
Guarantee deposits	--	30,081	1,329	--	--	--	--	31,410
Other contingent exposures	--	8,080	41,673	2,738	--	--	--	52,491
Total contingent exposures	**--**	**38,161**	**43,002**	**2,738**	**--**	**--**	**--**	**83,901**
Other exposures								
Derivatives	--	167,169	255,070	4,659	--	--	--	426,898
Contingent commitments	560,000	199,608	156,924	3,060	--	42	--	919,634
Total other exposures	**560,000**	**366,777**	**411,994**	**7,719**	**--**	**42**	**--**	**1,346,532**
Total	**6,438,708**	**17,423,322**	**867,382**	**99,562**	**8,772**	**54**	**112,884**	**24,950,684**

	2012							
	Thousands of Euros							
	Spanish general government	**Financial institutions**	**Resident companies**	**Other resident sectors**	**Non-resident companies**	**Other non-resident sectors**	**Other operations**	**Total**
Debt instruments								
Loans and advances to credit institutions	--	15,636,752	--	--	--	--	--	15,636,752
Marketable securities	2,990,808	896,936	24,003	--	2,933	--	--	3,914,680
Loans and advances to other debtors	684,341		299,788	84,411	7,434	1	66,973	1,142,948
Total debt instruments	**3,675,149**	**16,533,688**	**323,791**	**84,411**	**10,367**	**1**	**66,973**	**20,694,380**
Equity instruments	**--**	**1,980**	**12,278**	**720**	**--**	**--**	**--**	**14,978**
Contingent exposures								
Guarantee deposits	--	28,673	750	--	--	--	--	29,423
Other contingent exposures	--	11,970	38,988	1,053	1,409	--	--	53,420
Total contingent exposures	**--**	**40,643**	**39,738**	**1,053**	**1,409**	**--**	**--**	**82,843**
Other exposures								
Derivatives	140	158,242	258,785	--	--	1,430	--	418,597
Contingent commitments	6,000	21,824	143,001	3,319	--	27	--	174,171
Total other exposures	**6,140**	**180,066**	**401,786**	**3,319**	**--**	**1,457**	**--**	**592,768**
Total	**3,681,289**	**16,756,377**	**777,593**	**89,503**	**11,776**	**1,458**	**66,973**	**21,384,969**

37.1.3 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 2013 and 2012, based on ratings (external or internal, in line with the credit rating models developed by the Group) is as follows:

	2013		2012	
Credit rating	**Thousands of Euros**	**%**	**Thousands of Euros**	**%**
AAA	32,657	0,2	32,209	0,2
AA+	--	0,0	--	0,0
AA	--	0,0	290	0,0
AA-	21,761	0,1	11,653	0,1
A+	933	0,0	11,779	0,1
A	141,979	0,7	187,127	0,9
A-	12,060,732	61,0	14,385,068	68,3
BBB+	107,075	0,5	64,776	0,3
BBB	2,804,033	14,3	1,638,586	7,8
BBB-	958,275	4,8	874,702	4,2
BB+	248,405	1,3	640,230	3,0
BB	132,016	0,7	712,807	3,4
Below BB	1,032,656	5,2	83,356	0,4
Not rated	2,220,153	11,2	2,422,780	11,5
Total	**19,760,675**	**100,0**	**21,065,363**	**100,0**

37.1.4 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:

	2013 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	**91,460**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Other financial institutions	**241,076**	**--**	**104,934**	**--**	**--**	**--**	**104,934**	**--**
Non-financial companies and individual entrepreneurs	**236,898**	**24,248**	**1,553**	**19,508**	**3,818**	**175**	**1,441**	**859**
Construction and real estate development	432	113	--	--	--	44	56	13
Civil works	29,032	110	--	110	--	--	--	--
Other	207,434	24,025	1,553	19,398	3,818	131	1,385	846
Large companies	84,541	19,068	--	19,068	--	--	--	--
SMEs and individual entrepreneurs	122,893	4,957	1,553	330	3,818	131	1,385	846
Other households and non-profit institutions serving households	**89,628**	**71,109**	**14**	**13,589**	**15,133**	**16,292**	**10,360**	**15,749**
Homes	57,640	55,919	--	11,590	10,594	13,695	8,349	11,691
Consumer	2,230	21	--	21	--	--	--	--
Other	29,758	15,169	14	1,978	4,539	2,597	2,011	4,058
SUBTOTAL	**659,062**	**95,357**	**106,501**	**33,097**	**18,951**	**16,467**	**116,735**	**16,608**
(-) Valuation adjustment for impairment of assets not allocated to specific operations.	(22,416)	--	--	--	--	--	--	--
TOTAL	**636,646**	--	--	--	--	--	--	--
MEMORANDUM ITEM								
Refinancing, refinanced and restructured transactions	52,102	21,091	--	19,068	--	44	1,252	727

2012 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	**685,366**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Other financial institutions	**56,717**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Non-financial companies and individual entrepreneurs	**308,011**	**6,735**	**1,000**	**115**	**1,867**	**2,796**	**646**	**2,311**
Construction and real estate development	2,387	2,204	--	--	--	2,142	56	6
Civil works	27,523	--	--	--	--	--	--	--
Other	278,101	4,531	1,000	115	1,867	654	590	2,305
Large companies	189,046							
SMEs and individual entrepreneurs	89,055	4,531	1,000	115	1,867	654	590	2,305
Other households and non-profit institutions serving households	**86,163**	**72,010**	**24**	**16,119**	**19,681**	**24,546**	**7,506**	**4,182**
Homes	58,432	56,889		13,605	13,672	19,689	6,337	3,586
Consumer	2,252	28		26				2
Other	25,479	15,093	24	2,488	6,009	4,857	1,169	594
SUBTOTAL	**1,136,257**	**78,745**	**1,024**	**16,234**	**21,548**	**27,341**	**8,152**	**6,493**
(-) Valuation adjustment for impairment of assets not allocated to specific operations.	(13,674)	--	--	--	--	--	--	--
TOTAL	**1,122,583**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured transactions	13,116	4,165	--	--	--	4,162	--	3

Refinancings

Refinancing is one of the management tools established to adapt the maturity structures of loan principals and interest to customers' new payment capacities.

The Group uses this tool employing restrictive, rigorous and selective criteria and requires compliance with the following conditions:

- At least one year's experience with the borrower, or, if less, a feasibility study of the customer.
- At least one year of counterparty compliance or, in the absence thereof, a repayment on the loan principal of an equivalent amount.
- The debt (current or past) contracted with the borrower must not have been renegotiated more than twice in the preceding three years.
- The contribution of funds (capital in the case of companies) by the counterparty, indicating a firm commitment to comply with the established action plan.

Refinanced transactions are subject to special monitoring. Refinancing transactions do not result in the release of provisions, unless they comply with the criteria set out in Bank of Spain circulars (receipt of outstanding interest and new effective guarantees or reasonable certainty of the payment capacity of the customer).

Details by counterparty, risk classification and type of guarantee of the outstanding balances of restructuring and refinancing transactions carried out by the Bank are presented below:

	2013												
	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	--	--	6	2,746	9	3,582	2	7,292	2	181	14	3,211	5,698
Of which: Financing of construction and real estate development	--	--	--	--	--	--	2	7,292	2	181	--	--	5,377
Other individuals	--	--	--	--	1	1,112	--	--	--	--	--	--	--
Total			**6**	**2,746**	**10**	**4,694**	**2**	**7,292**	**2**	**181**	**14**	**3,211**	**5,698**

	Doubtful							Total		
	Full mortgage loan		Other collateral		Unsecured					
	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	500	7,487	54	60,334	9,055
Of which: Financing of construction and real estate development	--	--	1	7,237	--	--	7,237	4	7,477	7,292
Other individuals	--	--	--	--	1	1,109	555	3	1,378	555
Total	**--**	**--**	**1**	**7,237**	**2**	**1,609**	**8,042**	**57**	**61,712**	**9,610**

2012

	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	--	--	6	2,746	9	3,582	2	7,292	2	181	14	3,211	5,698
Of which: Financing of construction and real estate development	--	--	--	--	--	--	2	7,292	2	181	--	--	5,377
Other individuals	--	--	--	--	1	1,112	--	--	--	--	--	--	--
Total			**6**	**2,746**	**10**	**4,694**	**2**	**7,292**	**2**	**181**	**14**	**3,211**	**5,698**

	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	1,005	6	571	886	40	18,588	6,584
Of which: Financing of construction and real estate development	--	--	--	--	2	108	60	6	7,581	5,437
Other individuals	--	--	--	--	--	--	--	1	1,112	--
Total			**1**	**1,005**	**6**	**571**	**886**	**41**	**19,700**	**6,584**

37.1.5 Credit risk on real estate development and construction

At 31 December 2013 financing provided for real estate development and construction amounted to Euros 7,724 thousand (Euros 7,825 thousand in 2012), of which Euros 7,237 thousand were classified as "Doubtful assets" (Euros 108 thousand in 2012) (consolidated Group data). Total specific provisions at that date amounted to Euros 7,292 thousand (Euros 7,336 thousand in 2012).

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 2013 and 2012 is as follows:

	Thousands of Euros					
	Gross amount		**Excess over guaranteed amount**		**Specific provisions**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Loans recognised by Group credit institutions	7,724	7,825	4,010	4,111	7,292	7,336
Of which: Doubtful	7,237	108	3,904	108	7,237	61
Of which: Substandard	240	7,473	53	3,953	55	5,378
Memorandum item: - Total general provisions (total transactions)	27,171	12,612	--	--	--	--
- Defaulted assets	--	--	--	--	--	--

Details of loans and advances to other debtors excluding Spanish general government at 31 December 2013 and 2012 are as follows

	Thousands of Euros	
	2013	**2012**
Total loans and advances to other debtors excluding Spanish general government	323,322	370,214
Total consolidated assets	24,262,717	21,467,430

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

	Thousands of Euros	
	Loans: Gross amount	
	2013	2012
1. Not secured by collateral	376	477
2. Secured by collateral	7,348	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	111
2.3.1. Developed land	--	--
2.3.2. Other land	111	111
Total	**7,724**	**7,825**

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

	Thousands of Euros			
	2013		2012	
	Gross amount	Of which: Doubtful	Gross amount	Of which: Doubtful
Home purchase loans	56,924	38	57,425	--
Not secured by collateral	1,592	--	1,352	--
Secured by collateral	55,332	38	56,073	--

The following table shows a breakdown of mortgage loans extended to acquire homes at 31 December 2013 by percentage of total risk on the latest available appraisal value (LTV):

	2013				
	LTV bracket				
	LTV < 40%	40% < LTV < 60%	60% < LTV < 80%	80% < LTV < 100%	LTV > 100%
Gross amount	10,749	10,894	13,772	8,226	11,691
Of which: Doubtful	18	--	--	20	--

	2012				
	LTV bracket				
	LTV < 40%	40% < LTV < 60%	60% < LTV < 80%	80% < LTV < 100%	LTV > 100%
Gross amount	12,918	13,592	19,640	6,028	3,895
Of which: Doubtful	--	--	--	--	--

The Group has not recognised any foreclosed assets at 31 December 2013 and 2012.

37.1.6 Assets impaired due to credit risk

Details at 31 December 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Doubtful assets:		
Loans and receivables	8,962	2,662

37.1.7. Movement in impairment losses

Movement in impairment losses recognised by the Group in 2013 and 2012 by type of financial asset is as follows:

	Thousands of Euros								
	Balance at 31 December 2011	Net allowances charged to the income statement	Amounts used	Adjustments for exchange differences and other	**Balance at 31 December 2012**	Net allowances charged to the income statement	Amounts used	Adjustments for exchange differences and other	**Balance at 31 December 2013**
Available-for-sale financial assets	**198**	139	--	--	**337**	(56)	--	--	**281**
Specific	--	--	--	--	--	--	--	--	--
General	198	139	--	--	337	(56)	--	--	281
Loans and receivables	**14,627**	7,133	(463)	(2)	**21,295**	**17,695**	**(2,904)**	**(2)**	**36,084**
Specific	6,833	3,152	(463)	--	9,522	3,128	(2,904)		9,746
General	7,794	3,981	--	(2)	11,773	14,567	--	(2)	26,338
Contingent exposures and commitments	**1,092**	(405)	--	--	**687**	55	(190)	--	552
Specific	399	(214)	--	--	185	--	(185)	--	--
General	693	(191)	--	--	502	55	(5)	--	552
Total	**15,917**	**6,867**	**(463)**	**(2)**	**22,319**	**17,694**	**(3,094)**	**(2)**	**36,917**

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

	Thousands of Euros			
	Specific		General	
	2013	**2012**	**2013**	**2012**
Counterparty				
Other resident private sectors	9,746	9,522	26,227	11,717
Other non-resident private sectors	--	--	111	56
Total	**9,746**	**9,522**	**26,338**	**11,773**
Geographical location of risk				
Spain	9,746	9,522	26,227	11,717
Europe	--	--	--	51
United States	--	--	111	5
Rest of world	--	--	--	--
Total	**9,746**	**9,522**	**26,338**	**11,773**

37.1.8. 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	
	2013	**2012**
Opening balance	**2,450**	**2,197**
Additions		
Recognised in impairment allowances	2,882	321
Recognised in the income statement	2,257	--
Past-due income	85	--
Other	114	1
Disposals		
Cash recovery of principal	--	(65)
Pardoning of debt	(370)	(4)
Other reasons	(114)	--
Closing balance	**7,304**	**2,450**

37.2 Liquidity risk

The Assets and Liabilities Committee of the Bank is directly responsible for managing and controlling liquidity risks in order to guarantee an optimal level of liquid assets and avoid imbalances when complying with the Group's commitments.

The Assets and Liabilities Committee uses the following measures to monitor liquidity:

- The liquidity gap, which reflects the maturity structure of financial assets and financial liabilities, considering the period between the analysis date and the contractual maturity date. At 31 December 2013 and 2012, the liquidity gap is as follows:

	2013							
	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	184,537	--	--	--	--	--	--	184,537
Loans and advances to credit institutions	392,126	5,650,598	3,605,589	307,644	6,081,035	24,415	--	16,061,407
Loans and advances to other debtors	94,571	125,114	24,218	44,664	205,382	138,677	--	632,626
Fixed income portfolio	--	184,761	622,918	4,295,901	1,599,352	187,316	--	6,890,248
Other assets	--	16,344	24,517	40,861	115,699	229,477	67,001	493,899
Total assets	**671,234**	**5,976,817**	**4,277,242**	**4,689,070**	**8,001,468**	**579,885**	**67,001**	**24,262,717**
Liabilities								
Deposits from central banks and credit institutions	4,463,303	4,880,164	352,000	542,393	6,670,760	18,279	--	16,926,899
Debt certificates including bonds	--	707	474	725,600	2,086,658	--	--	2,813,439
Deposits from other creditors	506,779	3,175,838	2,705	5,023	243	130	--	3,690,718
Other liabilities	--	16,602	24,902	41,504	117,519	233,087	398,047	831,661
Total liabilities	**4,970,082**	**8,073,311**	**380,081**	**1,314,520**	**8,875,180**	**251,496**	**398,047**	**24,262,717**
Simple gap	(4,298,848)	(2,096,494)	3,897,161	3,374,550	(873,712)	328,389	(331,046)	--
Accumulated gap	(4,298,848)	(6,395,342)	(2,498,181)	876,369	2,657	331,046	--	--

	2012							
	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	137,667	--	--	--	--	--	--	137,667
Loans and advances to credit institutions	1,222,657	4,164,662	2,919,902	1,228,279	6,155,924	34,779	--	15,726,203
Loans and advances to other debtors	69,418	182,178	71,386	175,322	467,604	153,742	2,933	1,122,583
Fixed income portfolio	--	281,182	481,817	1,956,147	1,026,756	168,441	--	3,914,343
Other assets	89,899	9,094	13,641	22,735	108,296	264,831	58,138	566,634
Total assets	**1,519,641**	**4,637,116**	**3,486,746**	**3,382,483**	**7,758,580**	**621,793**	**61,071**	**21,467,430**
Liabilities								
Deposits from central banks and credit institutions	4,613,395	4,107,829	518,770	14,736	6,423,152	372,781	--	16,050,663
Subordinated financing	--	--	--	10,001	--	--	--	10,001
Debt certificates including bonds	--	4,704	53,709	46,665	2,813,888	--	--	2,918,966
Deposits from other creditors	452,022	1,222,177	3,569	6,203	1,107	82	--	1,685,160
Other liabilities	28,058	9,126	13,688	22,814	108,671	265,749	354,534	802,640
Total liabilities	**5,093,475**	**5,343,836**	**589,736**	**100,419**	**9,346,818**	**638,612**	**354,534**	**21,467,430**
Simple gap	(3,573,834)	(706,720)	2,897,010	3,282,064	(1,588,238)	(16,819)	(293,463)	--
Accumulated gap	(3,573,834)	(4,280,554)	(1,383,544)	1,898,520	310,282	293,463	--	--

- The short-term liquidity ratio analyses the availability of liquid assets in the short term to meet commitments maturing within 30 days.

- The liquidity ratio measures the structural availability of liquid assets as a percentage of callable liabilities.

The Group's financing structure at 31 December 2013 is as follows:

	Thousands of Euros		Thousands of Euros
Loans and advances to other debtors	632,626	Deposits fully covered by the Deposit Guarantee Fund	25,341
Loans to Group companies and related parties	3,082,200	Deposits not fully covered by the Deposit Guarantee Fund	389,867
Securitised loans	--	**Total deposits from other creditors**	415,208
Specific funds	--	Mortgage bonds	--
Foreclosed assets	--	Public sector bonds	--
Total loans and advances to other debtors and other	**3,714,826**	**State-guaranteed issues**	2,818,258
Equity investments	**8,709**	**Subordinated, preference and convertible bonds**	
		Other medium and long-term financial instruments	7,271,291
		Securitisations sold to third parties	--
		Other financing with residual maturity exceeding one year	--
		Long-term wholesale financing	**10,504,757**
		Equity	**355,197**
Stable financing requirements	**3,723,535**	**Stable financing sources**	**10,859,954**

Details of maturities of wholesale debt are as follows:

	2014	2015	2016	2017
Mortgage bonds	--	--	--	--
Public sector bonds	--	--	--	--
Senior debt	--	--	--	--
State-guaranteed issues	725,600	1,202,500	--	883,000
Subordinated, preference and convertible bonds	--	--	--	--
Other medium and long-term financial instruments	--	--	--	--
Securitisations sold to third parties	--	--	--	--
Commercial paper	1,181	--	--	--
Total maturities of wholesale issues	**726,781**	**1,202,500**	--	**883,000**

Liquid assets and issue capacity available at 31 December 2013 are as follows:

	Thousands of Euros
Liquid assets	
Eligible assets (nominal amount)	5,697,283
Eligible assets (market value and ECB cuts)	5,734,863
Of which: Receivables from central governments	4,672,521
Issue capacity	
Mortgage bonds	55,542
Public sector bonds	--
Available state-guaranteed issues	1,200,000
Total	**1,255,542**

The Bank's activity in the wholesale markets relates mainly to its role as the banking headquarters for the shareholder rural savings banks. The amounts and maturities of state-guaranteed issues are matched with financing extended to the savings banks by the Entity in its capacity as managing entity of a group comprising the Bank and the shareholder rural savings banks (see note 13).

37.3 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 2013 and 2012 are as follows:

	2013						
	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	184,537	--	--	--	--	--	184,537
Loans and advances to credit institutions	6,042,724	3,605,589	307,644	6,081,035	24,415	--	16,061,407
Loans and advances to other debtors	213,838	116,628	123,591	136,841	41,728	--	632,626
Fixed income portfolio	184,761	622,918	4,295,901	1,599,352	187,316	--	6,890,248
Other assets	16,344	24,517	40,861	115,699	229,477	67,001	493,899
Total assets	**6,642,205**	**4,369,651**	**4,767,997**	**7,932,927**	**482,936**	**67,001**	**24,262,717**
Liabilities							
Deposits from central banks and credit institutions	9,343,467	352,000	542,393	6,670,760	18,279	--	16,926,899
Debt certificates including bonds	707	474	725,600	2,086,658	--	--	2,813,439
Deposits from other creditors	3,584,673	62,314	33,013	10,718	--	--	3,690,718
Other liabilities	16,602	24,902	41,504	117,519	233,087	398,047	831,661
Total liabilities	**12,945,449**	**439,690**	**1,342,510**	**8,885,655**	**251,366**	**398,047**	**24,262,717**
Off-balance sheet operations	675,485	11,612	(133,140)	(553,956)	--	--	--
Simple gap	(5,627,759)	3,941,573	3,292,347	(1,506,684)	231,570	(331,046)	--
Accumulated gap	(5,627,759)	(1,686,187)	1,606,160	99,476	331,046	--	--

	2012						
	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	137,667	--	--	--	--	--	137,667
Loans and advances to credit institutions	4,842,519	2,814,428	164,997	7,894,056	10,203	--	15,726,203
Loans and advances to other debtors	207,587	293,700	447,793	78,806	94,697	--	1,122,583
Fixed income portfolio	253,047	457,988	1,898,457	1,042,468	262,383	--	3,914,343
Other assets	98,993	13,641	22,735	108,296	264,831	58,138	566,634
Total assets	**5,539,813**	**3,579,757**	**2,533,982**	**9,123,626**	**632,114**	**58,138**	**21,467,430**
Liabilities							
Deposits from central banks and credit institutions	5,948,703	1,439,755	1,994,418	6,623,712	44,075	--	16,050,663
Subordinated financing	--	--	10,001	--	--	--	10,001
Debt certificates including bonds	33,575	1,548,497	74,981	1,261,914	--	--	2,918,966
Deposits from other creditors	1,561,218	63,199	45,417	15,326	--	--	1,685,160
Other liabilities	37,184	13,688	22,814	108,671	265,749	354,534	802,640
Total liabilities	**7,580,680**	**3,065,139**	**2,147,631**	**8,009,622**	**309,824**	**354,534**	**21,467,430**
Off-balance sheet operations	124,417	(3,721)	(26,200)	(60,566)	(33,931)	--	--
Simple gap	(2,040,867)	514,618	386,351	1,114,004	322,290	(296,396)	--
Accumulated gap	(2,040,867)	(1,526,249)	(1,139,898)	(25,894)	296,396	--	--

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 2013 and 2012, 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:

	%	
	2013	**2012**
Sensitivity of the financial margin	(4.81)	(10.89)

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 2013 and 2012 is as follows:

	%	
	2013	**2012**
Sensitivity of equity	(7.57)	(7.14)

37.4 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	
	2013	**2012**
Average VaR	945	731
Maximum VaR	1,669	994

Interest rate variations are the Bank's primary risk factor. The distribution by risk factor at 31 December 2013 and 2012 is as follows:

	Distribution	
	2013	**2012**
Interest rate	60.1	76.3
Variable income	39.9	23.7

37.5 Currency risk

Details of the assets and liabilities recognised in the Bank's balance sheet in the most significant currencies at 31 December 2013 and 2012 are as follows:

	Thousands of Euros			
	2013		**2012**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
US Dollar	28,962	64,301	28,147	43,778
Pound Sterling	4,201	5,979	3,775	5,732
Swiss Franc	1,517	1,383	2,582	2,553
Norwegian Krone	360	345	265	236
Swedish Krona	50	26	35	13
Canadian Dollar	656	659	270	269
Danish Krone	25	15	21	15
Japanese Yen	712	276	995	449
Other	1,426	372	349	295
Total	**37,909**	**73,356**	**36,439**	**53,340**

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

	Thousands of Euros	
	2013	**2012**
Assets		
Loans and advances to credit institutions	32,097	28,713
Loans and advances to other debtors	5,662	7,665
Other assets	149	61
Total	**37,908**	**36,439**
Liabilities		
Loans and advances to credit institutions	71,384	48,768
Deposits from other creditors	1,919	4,572
Other liabilities	54	--
Total	**73,357**	**53,340**

37 .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 (see section 1.3 of this note), 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 2013 and 2012 are as follows:

	2013				
	Thousands of Euros				
	Total	**Spain**	**Rest of the European Union**	**Americas**	**Rest of world**
Credit institutions	16,949,887	16,476,972	472,907	--	--
Spanish general government	5,878,781	5,878,781	--	--	--
Central government	5,856,388	5,856,388	--	--	--
Other	22,393	22,393	--	--	--
Other financial institutions	557,236	546,526	9,252	1,458	--
Non-financial companies and individual entrepreneurs	659,640	657,290	1,558	792	--
Construction and real estate development	432	432	--	--	--
Civil works	32,092	32,092	--	--	--
Other	627,116	624,766	1,558	792	--
Large companies	100,813	99,943	78	792	--
SMEs and individual entrepreneurs	526,303	524,823	1,480	--	--
Other households and non-profit institutions serving households	91,292	91,290	2	--	--
Homes	57,640	57,640	--	--	--
Consumer	2,231	2,231	--	--	--
Other	31,421	31,419	2	--	--
SUBTOTAL	**24,136,836**	**23,650,859**	**483,719**	**2,250**	**--**
Less: Impairment of assets not allocated to specific operations.	(26,462)	--	--	--	--
TOTAL	**24,110,374**	--	**--**	**--**	**--**

	2012				
	Thousands of Euros				
	Total	**Spain**	**Rest of the European Union**	**Americas**	**Rest of world**
Credit institutions	16,814,275	16,481,858	318,901	8,601	4,915
Spanish general government	3,676,174	3,676,174	--	--	--
Central government	3,676,144	3,676,144	--	--	--
Other	30	30	--	--	--
Other financial institutions	321,949	299,335	21,538	953	123
Non-financial companies and individual entrepreneurs	405,154	397,718	1,373	6,063	--
Construction and real estate development	2,387	2,387	--	--	--
Civil works	27,523	27,523	--	--	--
Other	375,244	367,808	1,373	6,063	--
Large companies	286,189	278,753	1,373	6,063	--
SMEs and individual entrepreneurs	89,055	89,055	--	--	--
Other households and non-profit institutions serving households	87,576	87,575	1	--	--
Homes	58,432	58,432	--	--	--
Consumer	2,252	2,252	--	--	--
Other	26,892	26,891	1	--	--
SUBTOTAL	**21,305,128**	**20,942,660**	**341,813**	**15,617**	**5,038**
Less: Impairment of assets not allocated to specific operations.	(14,010)	--	--	--	--
TOTAL	**21,291,118**	**--**	**--**	**--**	**--**

Sovereign debt risk

At 31 December 2013 and 2012 the Group's only sovereign debt risk related to the Spanish government (see note 37.1.2).

38. Reporting Transparency Requirements

The reporting requirements in Bank of Spain Circular 5/2011 include:

- Quantitative information on financing extended for real estate development and construction and on home purchase loans
- Quantitative information on foreclosed assets
- Asset management strategies with respect to this sector

This information is provided in note 37.

Appendix I.a.

BANCO COOPERATIVO ESPAÑOL, S.A. – Balance sheets at 31 December 2013 and 2012

(in thousands of Euros)

ASSETS	2013	2012
1. CASH AND BALANCES WITH CENTRAL BANKS	184,537	137,666
2. FINANCIAL ASSETS HELD FOR TRADING	4,932,951	2,321,254
2.1. Loans and advances to credit institutions	-	-
2.2. Loans and advances to other debtors	-	-
2.3. Debt securities	4,505,772	1,902,420
2.4. Equity instruments	281	237
2.5. Trading derivatives	426,898	418,597
Memorandum item: Loaned or pledged	2,916,327	1,708,689
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	1,952,683	1,562,179
4.1. Debt securities	1,943,040	1,547,524
4.2. Equity instruments	9,643	14,655
Memorandum item: Loaned or pledged	976,816	1,121,212
5. LOANS AND RECEIVABLES	16,751,440	16,935,202
5.1. Loans and advances to credit institutions	15,704,208	15,488,059
5.2. Loans and advances to other debtors	987,986	1,438,143
5.3. Debt securities	59,246	9,000
Memorandum item: Loaned or pledged	-	-
6. HELD-TO-MATURITY INVESTMENTS	369,832	444,423
Memorandum item: Loaned or pledged	277,078	351,529
7. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
8. HEDGING DERIVATIVES	-	-
9. NON-CURRENT ASSETS HELD FOR SALE	-	-
10. EQUITY INVESTMENTS	19,259	21,008
10.1. Associates	7,810	9,559
10.2. Jointly controlled entities	-	-
10.3. Group entities	11,449	11,449
11. INSURANCE CONTRACTS LINKED TO PENSIONS	-	-
13. TANGIBLE ASSETS	1,726	1,715
13.1. Tangible assets	1,726	1,715
13.1.1. For own use	1,726	1,715
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	1,181	1,192
14.1. Goodwill	-	-
14.2. Other intangible assets	1,181	1,192
15. TAX ASSETS	15,624	11,051
15.1. Current	2,128	2,124
15.2. Deferred	13,496	8,927
16. OTHER ASSETS	8,457	89,899
TOTAL ASSETS	**24,237,690**	**21,525,589**

LIABILITIES AND EQUITY	2013	2012
LIABILITIES		
1. FINANCIAL LIABILITIES HELD FOR TRADING	427,863	420,048
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	427,863	420,048
1.6. Short positions	-	-
1.7. Other financial liabilities	-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	43,937
2.1. Deposits from central banks	-	-
2.2. Deposits from credit institutions	-	43,937
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	23,442,503	20,741,420
3.1. Deposits from central banks	7,057,088	7,165,332
3.2. Deposits from credit institutions	9,868,592	8,840,381
3.3. Deposits from other creditors	3,695,633	1,772,445
3.4. Debt certificates including bonds	2,813,439	2,918,966
3.5. Subordinated liabilities	-	10,001
3.6. Other financial liabilities	7,751	34,295
4. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
5. HEDGING DERIVATIVES	5,751	8,175
6. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
8. PROVISIONS	552	687
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	552	687
8.4. Other provisions	-	-
9. TAX LIABILITIES	6,173	760
9.1. Current	645	437
9.2. Deferred	5,528	323
10. WELFARE FUNDS	-	-
11. OTHER LIABILITIES	23,905	28,058
12. CAPITAL REFUNDABLE ON DEMAND	-	-
TOTAL LIABILITIES	**23,906,747**	**21,243,085**
EQUITY		
1. SHAREHOLDERS' EQUITY	326,300	289,828
1.1. Share capital or assigned capital	91,009	91,009
1.1.1. Registered	91,009	91,009
1.1.2. Less: Uncalled capital (-)	-	-
1.2. Share premium	85,972	85,972
1.3. Reserves	106,847	95,303
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	42,472	20,544
1.7. Less: Dividends and remuneration	-	(3,000)
2. VALUATION ADJUSTMENTS	4,643	(7,324)
2.1. Available-for-sale financial assets	4,643	(7,324)
2.2. Cash flow hedges	-	-
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	**330,943**	**282,504**
TOTAL LIABILITIES AND EQUITY	**24,237,690**	**21,525,589**
MEMORANDUM ITEM		
1. CONTINGENT EXPOSURES	**84,210**	**83,054**
2. CONTINGENT COMMITMENTS	**921,535**	**176,351**

Appendix I.b.

Banco Cooperativo Español, S.A.

Income statements for the years ended
31 December 2013 and 2012

(in thousands of Euros)	2013	2012
1. INTEREST AND SIMILAR INCOME	406,951	484,309
2. INTEREST EXPENSE AND SIMILAR CHARGES	329,977	432,103
3. EQUITY REFUNDABLE ON DEMAND	-	-
A) INTEREST MARGIN	76,974	52,206
4. DIVIDEND INCOME	4,209	2,738
6. FEE AND COMMISSION INCOME	15,108	12,250
7. FEE AND COMMISSION EXPENSE	6,327	5,728
8. GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (NET)	8,410	(7,548)
8.1. Financial assets held for trading	7,562	118
8.2. Other financial instruments at fair value through profit or loss	(208)	855
8.3. Financial instruments not carried at fair value through profit or loss	1,056	(8,521)
8.4. Other	-	-
9. EXCHANGE DIFFERENCES (NET)	284	341
10. OTHER OPERATING INCOME	1,097	815
11. OTHER OPERATING EXPENSES	297	186
B) GROSS MARGIN	99,458	54,888
12. ADMINISTRATIVE EXPENSES	18,634	18,642
12.1. Personnel expenses	11,957	12,203
12.2. Other administrative expenses	6,677	6,439
13. DEPRECIATION AND AMORTISATION	1,101	1,285
14. PROVISIONING EXPENSE (NET)	(102)	(506)
15. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	19,770	7,293
15.1. Loans and receivables	19,940	7,293
15.2. Other financial instruments not carried at fair value through profit or loss	(170)	-
C) PROFIT ON OPERATING ACTIVITIES	60,055	28,174
16. IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	1,159	-
16.1. Goodwill and other intangible assets	-	-
16.2. Other assets	1,159	-
17. GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	(5)	-
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	58,891	28,174
20. INCOME TAX	16,419	7,630
21. MANDATORY TRANSFER TO WELFARE FUNDS	-	-
E) PROFIT FROM CONTINUING OPERATIONS	42,472	20,544
22. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (NET)	-	-
F) PROFIT FOR THE YEAR	42,472	20,544
EARNINGS PER SHARE (Euros)	28.05	13.57

Appendix I.c.

STATEMENT OF RECOGNISED INCOME AND EXPENSE for the years ended 31 December 2013 and 2012

(in thousands of Euros)	2013	2012
A) PROFIT FOR THE YEAR	42,472	20,544
B) OTHER RECOGNISED INCOME AND EXPENSE	11,967	3,364
1. Available-for-sale financial assets	17,096	4,806
1.1. Revaluation gains/(losses)	16,591	7,272
1.2. Amounts transferred to the income statement	505	(2,466)
1.3. Other reclassifications	-	-
2. Cash flow hedges	-	-
2.1. Revaluation gains/(losses)	-	-
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	(5,129)	(1,442)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	54,439	23,908

Appendix I.c.

STATEMENT OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2013 and 2012

(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 2011	91,009	85,972	164	86,810	86,974	17,329	(3,000)	278,284	(10,688)	(10,688)	267,596
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	91,009	85,972	164	86,810	86,974	17,329	(3,000)	278,284	(10,688)	(10,688)	267,596
3. Total recognised income and expense	-	-	-	-	-	20,544	-	20,544	3,364	3,364	23,908
4. Other changes in equity	-	-	(1)	8,330	8,329	(17,329)	-	(9,000)	-	-	(9,000)
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	-	-	-	-	-	(9,000)	-	(9,000)	-	-	(9,000)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	(1)	8,330	8,329	(8,329)	-	-	-	-	-
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 2012	91,009	85,972	163	95,140	95,303	20,544	(3,000)	289,828	(7,324)	(7,324)	282,504

Appendix I.c.

STATEMENT OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2013 and 2012

(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 2012	91,009	85,972	163	95,140	95,303	20,544	(3,000)	289,828	(7,324)	(7,324)	282,504
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	91,009	85,972	163	95,140	95,303	20,544	(3,000)	289,828	(7,324)	(7,324)	282,504
3. Total recognised income and expense	-	-	-	-	-	42,472	-	42,472	11,967	11,967	54,439
4. Other changes in equity	-	-	(1)	11,545	11,544	(20,544)	3,000	(6,000)	-	-	(6,000)
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	-	-	-	-	-	(6,000)	-	(6,000)	-	-	(6,000)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	(1)	11,545	11,544	(14,544)	3,000	-	-	-	-
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 2013	91,009	85,972	162	106,685	106,847	42,472	-	326,300	4,643	4,643	330,943

Appendix I.d.

STATEMENTS OF CASH FLOWS for the years ended 31 December 2013 and 2012

(in thousands of Euros)	2013	2012
A). CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(93,431)	(1,429,390)
1. Profit for the year	42,472	20,544
2. Adjustments to obtain cash flows from operating activities	38,454	16,208
2.1. Depreciation and amortisation	1,101	1,285
2.2. Other adjustments	37,353	14,923
3. Net increase in operating assets	(2,826,242)	(7,103,332)
3.1. Financial assets held for trading	(2,611,697)	(1,004,903)
3.2. Other financial assets at fair value through profit or loss	-	-
3.3. Available-for-sale financial assets	(378,537)	(124,279)
3.4. Loans and receivables	163,992	(5,974,150)
3.5. Other operating assets	-	-
4. Net increase in operating liabilities	2,672,538	5,649,849
4.1. Financial liabilities held for trading	7,815	93,150
4.2. Other financial liabilities at fair value through profit or loss	(43,937)	(63,905)
4.3. Financial liabilities at amortised cost	2,711,084	5,622,903
4.4. Other operating liabilities	(2,424)	(2,299)
5. Income tax paid	(20,653)	(12,659)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	150,943	21,969
6. Payments	(1,658)	(43,161)
6.1. Tangible assets	(292)	(238)
6.2. Intangible assets	(810)	(772)
6.3. Equity investments	(556)	(125)
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	-	42,026
7. Collections	152,601	65,130
7.1. Tangible assets	-	-
7.2. Intangible assets	-	-
7.3. Equity investments	1,141	-
7.4. Other business units	-	-
7.5. Non-current assets and associated liabilities held for sale	-	-
7.6. Held-to-maturity investments	74,591	65,130
7.7. Other payments relating to investing activities	76,869	-
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(10,641)	(6,801)
8. Payments	(16,000)	(9,000)
8.1. Dividends	(6,000)	(9,000)
8.2. Subordinated liabilities	(10,000)	-
8.3. Redemption of own equity instruments	-	-
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments relating to financing activities	-	-
9. Collections	5,359	2,199
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	5,359	2,199
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	46,871	(1,414,222)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137,666	1,551,888
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	184,537	137,666
MEMORANDUM ITEM		
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
1.1. Cash	700	653
1.2. Cash equivalents at central banks	183,837	137,013
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts repayable on demand	-	-
Total cash and cash equivalents at end of the year	184,537	137,666

This Appendix forms an integral part of Note 1 to the consolidated annual accounts for 2013, in conjunction with which it should be read.

Appendix II

Fully consolidated subsidiaries

2013			**% 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	10.616	330.596	2.046	2.933
Gescooperativo, S.A., S.G.I.I.C.	Madrid	Collective investment management	--	100	1.893	9.552	16.575	2.406	5.015
Rural Inmobiliario, S.L.	Madrid	Real-estate holding	100	--	3.486	9.068	51.740	647	775
BCE Formación, S.A.	Madrid	Training services	100	--	60	494	636	103	378
Espiga Capital Gestión, S.G.E.C.R., SA.	Madrid	Venture capital management	80	--	481	784	1.079	1	1.223
Rural Renting, S.A.	Madrid	Financing services	100	--	600	1.070	3.050	47	131

2012			**% 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	11.847	289.297	1.269	2.217,30
Gescooperativo, S.A., S.G.I.I.C.	Madrid	Collective investment management	--	100	1.893	9.167	13.979	1.885	4.220
Rural Inmobiliario, S.L.	Madrid	Real-estate holding	100	--	3.486	8.889	52.584	178	621
BCE Formación, S.A.	Madrid	Training services	100	--	60	491	585	84	343
Espiga Capital Gestión, S.G.E.C.R., SA.	Madrid	Venture capital management	80	--	481	784	1.963	673	2.221
Rural Renting, S.A.	Madrid	Financing services	100	--	600	1.004	3.269	67	151

Appendix II (cont.)

Associates

2013			**% ownership**		**Thousands of Euros**				
Company	**Registered offices**	**Activity**	**Direct**	**Indirect**	**Amount of interest**	**Capital and reserves**	**Total assets**	**Profit/(loss)**	**Revenues**
Espiga Capital Inversión, S.C.R. de R.S., S.A.	Madrid	Venture capital	11,36	0,89	7.505	62.871	66.181	5.618	2.105
Espiga Capital Inversión II, S.C.R. de R.S. S.A.	Madrid	Venture capital	6,37	--	305	3.367	4.049	664	125

2012			**% ownership**		**Thousands of Euros**				
Company	**Registered offices**	**Activity**	**Direct**	**Indirect**	**Amount of interest**	**Capital and reserves**	**Total assets**	**Profit/(loss)**	**Revenues**
Mercavalor, S.V., S.A.	Madrid	Securities company	24,99	--	1.558	9.438	11.643	(169)	2.251
Espiga Capital Inversión, S.C.R. de R.S., S.A.	Madrid	Venture capital	10,68	0,82	6.949	61.408	69.493	15.493	3.553
Espiga Capital Inversión II, S.C.R. de R.S. S.A.	Madrid	Venture capital	6,37	--	1.052	4.103	3.386	(735)	283

This Appendix forms an integral part of Note 1 to the consolidated annual accounts for 2013, in conjunction with which it should be read.

Appendix III

NAME	COMPANY	ACTIVITY	% OWNERSHIP	POSITION
Mr. José Luis García Palacios	CAJA RURAL DEL SUR, S.C.C.	Credit institution	Less than 0.1%	Chairman
Mr. José Luis García-Lomas Hernández	CAJA RURAL DE JAÉN, BARCELONA Y MADRID, S.C.C.	Credit institution	Less than 0.1%	Chairman
Mr. Pedro García Romera	CAJA RURAL DE BURGOS, SEGOVIA, FUENTEPELAYO Y CASTELLDANS, S.C.C.	Credit institution	Less than 0.1%	Chairman
	OTHER	Credit institutions	Less than 0.1%	None
Mr. José Antonio Alayeto Aguarón	CAJA RURAL DE ARAGÓN, S.C.C.	Credit institution	Less than 0.1%	Chairman
Mr. Ignacio Arrieta del Valle	CAJA RURAL DE NAVARRA, S.C.C	Credit institution	Less than 0.1%	General manager
Mr. Nicanor Bascuñana Sánchez	CAJA RURAL CENTRAL, S.C.C.	Credit institution	Less than 0.1%	Chairman
	OTHER	Credit institutions	Less than 0.1%	None
Mr. Fernando Bergé Royo	CAJASIETE, CAJA RURAL, S.C.C.	Credit institution	Less than 0.5%	General manager
Mr. Luis Esteban Chalmovsky	DZ BANK	Credit institution	--	Managing director. Head of cooperative banking division
Mr. Carlos de la Sierra Torrijos	CAJA RURAL DE ALBACETE, CIUDAD REAL Y CUENCA, S.C.C.	Credit institution	Less than 0.1%	Vice-chairman
Mr. Cipriano García Rodríguez	CAJA RURAL DE ZAMORA, C.C.	Credit institution	Less than 0.1%	General manager
	OTHER	Credit institutions	Less than 0.1%	None
Mr. Carlos Martínez Izquierdo	CAJA RURAL DE SORIA, S.C.C.	Credit institution	Less than 0.1%	Chairman
Mr. Jesús Méndez Álvarez-Cedrón	CAIXA RURAL GALEGA, S.C.C.	Credit institution	Less than 0.5%	General manager
	OTHER	Credit institutions	Less than 0.1%	None
Mr. José María Quirós Rodríguez	CAJA RURAL DE ASTURIAS, S.C.C.	Credit institution	Less than 0.1%	Chairman
Mr. Dimas Rodríguez Rute	CAJA RURAL DE GRANADA, S.C.C.	Credit institution	Less than 0.1%	General manager
	OTHER	Credit institutions	Less than 0.1%	None
Ms. Dagmar Werner	DZ BANK	Credit institution	--	Head of Structured Trade and Commodity Finance

This Appendix forms an integral part of Note 4 to the consolidated annual accounts for 2013, in conjunction with which it should be read.

Directors’ Report

This directors’ report summarises the activity carried out by the Banco Cooperativo Español Group from 1 January to 31 December 2013, the Bank’s twenty-third 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 2013 the Group had assets totalling Euros 24,263 million, shareholders' equity of Euros 350 million and 212 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 saving banks; and 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	
	2013	**2012**
Balance sheet		
Total assets	24,262,717	21,467,430
On-balance sheet customer funds	3,690,718	1,685,160
Other funds managed	3,119,861	2,840,074
Loans and advances to other debtors (net)	632,626	1,122,583
Shareholders' equity	350,085	313,064
Profit/(loss)		
Gross margin	104,591	61,451
Margin on operating activities	61,342	31,021
Profit before income tax	60,851	31,021
Attributable profit	43,019	21,860
Significant ratios (%)		
Overheads/gross margin	22.53	38.40
Net profit/average shareholders' equity (ROE)	12.18	6.92
Net profit/average total assets (ROA)	0.17	0.10
Solvency ratio	16.20	12.90

2.1 Economic environment

The International Monetary Fund (IMF) has stated that global activity and commerce picked up in the second half of 2013. Recent data even suggests that global growth in this period was somewhat greater than foreseen in the October 2013 report.

Final demand in advanced economies has generally improved in line with projections, due primarily to the increased demand for inventories. The resurgence in exports has been the main driving force behind the acceleration in activity in emerging economies, while internal demand generally remained quite modest, with the exception of China.

Financial conditions have improved in advanced economies, and no significant changes have been observed since the US Federal Reserve announced that it will gradually begin tapering its quantitative easing programme, entailing further reductions in sovereign debt risk premiums of eurozone countries hit by the crisis. Conditions in emerging market economies, however, worsened following the surprise announcement in May 2013 of the gradual withdrawal of the monetary stimulus in the United States, despite capital flows remaining largely unchanged. Share prices have not yet fully recovered, many sovereign bond yields increased slightly and certain currencies came under pressure.

The IMF projects that the US will grow by 2.8% in 2014 compared to the 1.9% growth in 2013. Following the greater increase in inventories in the second half of 2013, the upturn in 2014 will be driven by positive final internal demand and partially supported by reduced fiscal pressures due to the recent budget agreement. Growth of 3% is expected for 2015.

The eurozone is making the transition from recession to recovery. Growth is expected to rise to 1% in 2014 and 1.4% in 2015, although this recovery will not be uniform. In general the upswing will be more moderate in economies experiencing difficulties, such as Spain, despite forecasts being revised upwards. The high levels of both public and private debt, coupled with financial fragmentation, will put a drag on internal demand, although exports will undoubtedly make a significant contribution to growth. In the rest of Europe, UK activity has been spurred by enhanced credit conditions and improved confidence. Growth is expected to average 2.25% in 2014-15, although the economy's idle economic capacity remains high.

Growth in Japan is expected to slow down. The temporary fiscal stimulus should partly offset the hindering increase in consumption tax in early 2014. Annual growth is therefore expected to remain largely unchanged at 1.7% in 2014, sliding to 1% in 2015.

Overall growth in emerging economies and developing markets is projected to increase by 5.1% in 2014 and 5.4% in 2015. China's growth rebounded strongly in the second half of 2013, largely due to the resurgence in investment. This increase will be temporary, due in part to policy measures aimed at slowing credit expansion and increasing the cost of capital. Growth is therefore expected to cool off slightly and remain at around 7.5% in 2014-15. In India, growth picked up again following a favourable monsoon season and a more marked increase in exports, which are expected to continue rising due to a strengthening of structural policies that support investment.

Many other emerging markets and developing economies have begun to experience the benefits of improved external demand from advanced economies and China. In many of these economies, however, domestic demand has remained weaker than expected.

This reflects, to a greater or lesser extent, a tightening of financial conditions and policy choices since mid-2013, as well as uncertainty regarding policies or political situations and deadlocks, which particularly affect investment. Consequently, growth in 2013 and 2014 has been revised downward, e.g. in Brazil and Russia. The downward revisions of growth in the Middle East and North Africa for 2014, and the upward revisions for 2015, mostly reflect the expectation that Libya's oil production will recover at a slower pace following the supply shocks in 2013.

In summary, according to projections, global growth will increase from 3% in 2013 to 3.7% in 2014 and 3.9 % in 2015.

Downside risks persist, both those described in the October 2013 report and new risks. Of the new risks, those related to activity due to a very low level of inflation in advanced economies, especially the eurozone, have come to the forefront. This poses the threat of lower than expected inflation, which increases the real debt burden, and premature increases in real interest rates, derived from the inability of monetary policy to reduce nominal interest rates. It also raises the likelihood of deflation in the event of adverse shocks to activity.

Downside risks to financial stability persist. Corporate leverage has increased, accompanied in many emerging market economies by heightened exposure to foreign currency liabilities. In certain markets, asset valuations could come under pressure if interest rates rise more than expected and negatively affect investor sentiment. In emerging market economies, the intensification of the volatility of financial markets and capital flows remains a concern, as the Federal Reserve is expected to continue gradually withdrawing monetary stimulus. A degree of portfolio restructuring and capital outflow is likely to be seen which, coupled with internal weaknesses, could result in more marked capital outflows and exchange rate adjustments.

Regarding policy, despite the expected rallying of activity, the global priority is still to achieve robust growth and control vulnerabilities.

Since the outlook is improving it is critical to avoid premature withdrawal of loose monetary policies in the United States among other countries, as output gaps remain wide while inflation is low and fiscal consolidation continues as planned. Growth needs to be strengthened in order to completely clean up balance sheets following the crisis and reduce the resulting risks. In the eurozone, the European Central Bank (ECB) should consider additional measures to this end, such as the provision of longer-term liquidity, including targeted lending, which would improve demand and reduce fragmentation in financial markets. It is essential to clean up bank balance sheets, by conducting an evaluation and recapitalising weak banks, and to complete the banking union to amalgamate supervision and crisis resolution in order to build confidence, revive lending and reduce the reliance of governments and banks on one another.

Further structural reforms are needed to promote investment and improve prospects. Recent developments in emerging market economies and developing countries have highlighted the need to control the risk of sudden changes in the direction of capital flows. Economies that are particularly at risk are those with external current account deficits due in part to internal weaknesses. In view of worsening external financial conditions, currency devaluations could be required. If exchange rate adjustments are limited, the authorities may need to consider tightening macroeconomic policies and duplicating their efforts in the area of regulatory and supervisory policies. The recent rebound in China underscores the fact that investment remains the main driver of growth. In order to adequately contain the risks that excessive investment would pose to growth and financial stability, domestic demand needs to be rebalanced further and redirected from investment towards consumption.

2.2 Balance sheet

- Total assets increased by 13.0% to Euros 24,262,717 thousand.
- At 31 December 2013 loans and advances to other debtors stood at Euros 632,626 thousand, up 43.6% compared to 31 December 2012. Loans and advances to other resident and non-resident sectors grew by 25.9% in 2013.
- Deposits from other creditors grew by 119.0% to Euros 3,690,718 thousand.
- Deposits from credit institutions and central banks rose 5.5% to Euros 16,926,899 thousand.
- Debt certificates including bonds amounted to Euros 2,813,439 thousand (3.6% decrease) due to movement in 2013 as a result of maturities and repurchases.

- Shareholders' equity rose by 11.8% to Euros 350,085 thousand.

2.3 Income statement

- The interest margin was Euros 78,186 thousand, representing growth of 47.2% on 2012.

- The gross margin increased by 70.2% to Euros 104,591 thousand due to the performance of the various components of this margin: interest (as mentioned previously), net fees and commissions (up 15.8% to Euros 14,536 thousand), gains and losses on financial assets and financial liabilities and exchange differences (from losses of Euros 7,431 thousand in 2012 to gains of Euros 8,440 thousand in 2013) and the share of profit of entities accounted for using the equity method (38.3% increase to Euros 1,007 thousand). Other operating income net of other operating expenses fell by 4.4% to Euros 2,003 thousand.

- Administrative and personnel expenses were contained, recording a decrease of 1.1% to stand at Euros 21,845 thousand. Depreciation and amortisation totalled Euros 1,724 thousand, up 10.2% on 2012. The sum of provisions and impairment losses on assets increased to Euros 19,680 thousand (up 190.0%). Consequently, operating profit stood at Euros 61,342 thousand, 97.7% up on 2012.

- Profit attributable to the Group amounted to Euros 43,019 thousand, 96.8% higher than in 2012.

2.4 Business units

The results of the different business segments comprising the Bank's activity and their performance in 2013 and 2012 are summarised below. Further information can be found in note 33.

	Thousands of Euros									
	Commercial banking		**Asset management**		**Markets**		**Corporate activities**		**Total Group**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Gross margin	20,343	11,912	9,455	9,207	70,547	38,703	2,244	1,629	102,589	61,451
Results from operating activities	(3,650)	535	5,575	4,954	66,126	33,717	(7,867)	(8,185)	60,184	31,021
Profit/(loss) before income tax	(3,650)	535	5,575	4,954	66,126	33,717	(7,200)	(8,185)	60,851	31,021
Income tax	(1,070)	156	1,634	1,441	19,378	9,810	(2,110)	(2,381)	17,832	9,026
Consolidated profit/(loss) for the year	**(2,580)**	**379**	**3,941**	**3,513**	**46,748**	**23,907**	**(5,090)**	**(5,804)**	**43,019**	**21,995**

In 2013 all the Group's segments saw growth in their revenues measured in terms of the gross margin, with the 82.3% increase in the Markets area being particularly noteworthy. This positive performance is the result of favourable conditions in the financial markets in which the Bank operates coupled with prudent and correct management.

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.

2.6.1 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.

	2013	**2012**
Average length of service (years)	11	10
Average age	40	39
Training:		
(%) University graduates	78	78
No. of hours of training	5,719	5,213
Hours of training/employee	27	24
Diversity (%)		
Female	52	53
Male	48	47
HR management (%)		
Internal promotion	13	10
Permanent contracts	99	98

3. Liquidity and capital

3.1 Liquidity

Liquidity risk management consists of ensuring that the Entity 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 Bank'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 Entity 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 is periodically verified and these assets are subjected to stress tests to determine their ability to cope with extreme situations.

The main metrics used to control liquidity 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. Recognition of inflows and outflows by residual maturity applying conservative criteria: inflows are recorded in the band corresponding to the period remaining between the date of the return and the latest contractual maturity date and outflows are recorded in the band corresponding to the period remaining between the date of the return and the earliest contractual maturity date unless cash outflows are expected prior to that date. In the case of demand deposits, total maturity on the day after the date of analysis has been considered. The analysis is static as the scenarios do not envisage business growth or the renewal of existing financing.

The liquidity gap is calculated based on the criteria in the Banco de España return "LQ2.1 Scale of contractual residual maturities. Cash flows".

- **Liquid assets and other available liquidity**. Firstly, the Bank measures changes in value (Banco de España return LQ 2.2) that will occur as a result of the sale or maturity of fixed-income securities or transactions therewith, such as up-front or forward purchases, securities lending and swaps. These securities must be traded on active markets and be swiftly and easily converted into cash without incurring significant losses. Assets are measured by applying the prices published by the European Central Bank or, if these are not available, a conservative estimate taking into account the value assigned to similar assets by the corresponding central bank. This information is used to ascertain which assets from each time band could potentially be used as collateral to cover sporadic liquidity requirements.

  In addition, the Bank uses information on eligible assets that are up to three "notches" or credit rating levels away from losing eligibility (return LQ 3.1).

- **Measurement of issue capacity**: monitoring of issues in process (returns LQ3.2 and LQ3.3) **and tracking of maturities** in **wholesale** markets (return LQ2.1).

- **Level of concentration of deposits** from two angles (return LQ4):

  - Monitoring of the largest counterparty balances and, in all cases, of those that exceed 1% of the Entity's liabilities, thereby identifying any significant sources of financing whose withdrawal could generate liquidity problems.
  - Statistical distribution of financing by counterparty.

- **Contingent liquidity risk** (return LQ5): details of contingent risks that could give rise to significant outflows of funds, with analysis of the following:

  - Irrevocable commitments and balances drawable.

  - Financing received and other operations subject to penalties based on the credit rating of the Entity.

  - Margin and collateral requirements for derivative and financing operations.

- **Movement in the cost of financing** by duration of contract, maturities and counterparty.

- **Short-term liquidity coverage ratio** (LCR), which identifies any unrestricted liquid assets required to cover net liquidity outflows for 30 days under a specific stress scenario. This scenario envisages critical situations in both the entity and the markets:

  - Downgrade in the entity's credit rating by 3 "notches"
  - Partial withdrawal of deposits
  - Total loss of wholesale financing
  - Significant increase in haircuts

Further information on residual maturities and the Group's financing structure can be found in note 37 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.

	2013	**2012**
Capital	91,009	91,009
Reserves	245,785	211,550
Deductions	(1,185)	(2,835)
Tier 1 capital	335,609	299,724
Asset revaluation reserves	4,432	4,437
Other	17,599	12,617
Deductions	--	(997)
Other eligible capital	22,031	16,057
Eligible capital	**357,640**	**315,781**
Minimum capital requirement	**176,279**	**196,246**
Contingent assets and exposures	143,241	177,902
Trading portfolio and currency risk	21,991	10,041
Operating risk and other	11,047	8,303
Surplus	**181,361**	**119,535**

Eligible capital amounts to Euros 357,640 thousand while capital requirements are Euros 176,279 thousand, giving rise to a surplus of Euros 181,361 thousand, i.e. 102.9% over the minimum requirement

Of this amount, the majority is comprised of equity in the strict sense, i.e. capital and reserves or other equivalent funds amounting to Euros 355,609 thousand. The increase recognised in 2013 relates basically to the capitalisation of part of 2012 profit. Tier I capital therefore represents 93.8% of total eligible capital.

Tier II capital, comprised of asset revaluation reserves and other eligible capital, amounted to Euros 22,031 thousand at 31 December 2013, and accounts for 6.2% of the capital base.

The most significant figure in eligible capital corresponds to counterparty contingent assets and exposures, which stand at Euros 143,241 thousand and represent 81.2% of total capital requirements calculated in accordance with Banco de España regulations.

As a result, the solvency ratio was 16.2% and the Tier I capital ratio stood at 15.2%

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 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 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 simulation 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 had 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.

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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 entity 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 2013 offset agreements have been implemented with 48 entities (52 in 2012).

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 37 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.Significant events after the reporting date

On 5 and 20 March 2014, in accordance with the terms and conditions laid down in the issue prospectus, the Bank carried out the early redemption of the 2012 fifth issue of ordinary bonds under State guarantee and the 2008 fourth issue of ordinary bonds under State guarantee.

6. Outlook

In 2014, 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.

7. 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 in preparation for 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.

8. Acquisition and sale of own shares

No transactions were carried out with own shares in 2013.

9. Other relevant information

The rating agencies contracted 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	Ba2
Fitch	BBB
DBRS	BBB high

Information required by article 116 bis of the Securities Market Law

a) Capital structure, including securities not traded on a European Community regulated market, indicating, where applicable, the various share classes and, for each class, the rights and obligations conferred and the percentage of share capital represented.

The share capital of the Bank is represented by 1,514,297 registered shares of Euros 60.10 par value each, subscribed and fully paid up and with the same rights and obligations. No minimum number of shares is required to attend and vote at the annual general meetings. The shareholder structure comprises 41 Spanish credit cooperatives and one German bank.

b) Restrictions on the transfer of securities;

In the event that all or part of a shareholder's shares are sold or disposed of, a preferential right will be extended, and the following criteria and restrictions will apply:

When the shareholder in question is an entity legally incorporated in Spain as a rural savings bank or credit cooperative, a special first preferential acquisition right is extended to the remaining shareholders which, when the procedure foreseen in this article commences, also meet the requirements to be considered a rural savings bank or credit cooperative. If none of the other rural savings banks or credit cooperatives exercise their preferential acquisition right or, having exercised some of these rights, there are surplus shares, these will be subject to a second preferential acquisition right for the remaining company shareholders and, finally, for the company itself.

The regulations for the exercise of preferential rights are explained in article 8 of the Bank's articles of association.

c) Significant direct and indirect equity investments;

Details of the Entity's most significant shareholders at the 2013 year end are as follows:

Tax ID number	Shareholder name	% ownership
	DZ Bank	12,022
F-31021611	Caja Rural de Navarra	9,970
F-99320848	Nueva Caja Rural de Aragón	9,970
F-18009274	Caja Rural de Granada	9,543
F-45755220	Caja Rural de Albacete, Ciudad Real y Cuenca	8,978
F-91119065	Caja Rural del Sur	6,429
F-33007337	Caja Rural de Asturias	5,776
F-45003993	Caja Rural de Castilla la Mancha	5,000

d) Details of restrictions on voting rights

There are no restrictions on voting rights.

e) Shareholder agreements

There are no shareholder agreements.

f) Regulations concerning the appointment and replacement of board members and amendments to the company's articles of association.

Board members hold their positions for a period of four years, and may be re-elected indefinitely. Any board member whose appointment is related to a position held in a shareholder company (if this position has had a determining role in his appointment) should relinquish his place on the board of directors upon request from any shareholder when the aforementioned relationship ceases to exist.

When electing and re-electing board members, the holders of shares that are voluntarily pooled in accordance with article 243 of the revised Spanish Companies Act (formerly article 137 of the Spanish Companies Act), and which represent share capital equal to or in excess of that obtained by dividing total share capital by the number of members of the board of directors, will be entitled to appoint members who, exceeding whole fractions, are deducted from the corresponding proportion. Shares grouped together in this manner will have no impact on the votes of the remaining board members.

At their ordinary or extraordinary general meeting, shareholders may validly agree to any amendment to the articles of association, provided that at the first session shareholders holding at least 50% of subscribed share capital with voting rights are present or represented. At the second call only twenty-five percent of the aforementioned capital is required.

When shareholders representing less than 50% of subscribed share capital with voting rights are present or represented, the agreements mentioned in the preceding section may only be validly adopted with the favourable vote of two-thirds of the share capital with voting rights present or represented at the general meeting.

g) Powers of the board members, in particular those concerning the issue or redemption of shares

The board members have no such powers.

h) Significant company agreements that come into force or are altered or terminated in the event of a change in control of the company as a result of a public share offering, and details of the related impact, unless the disclosure of such information is seriously damaging for the company. This exception does not apply when the company is legally obliged to make this information public.

No significant agreements exist.

i) Agreements between the company and its directors, management or employees involving compensation for improper dismissal or when the employment relationship is terminated due to a public share offering.

The legal and conventional effects that may be derived from the termination of the service relationship that links Bank personnel with the entity are not standard, but logically vary depending on the personnel in question, the role or position held by the employee, the type of contract entered into with the entity, the regulations governing the working relationship and a number of other factors. However, the following general scenarios can be distinguished:

Employees: in the case of employees linked to the Bank through a common working relationship (practically all entity personnel), in general terms the employment contracts linking these employees to the entity do not contain any indemnity clause for termination of the working relationship. Consequently, employees will be entitled to the termination benefit stipulated by employment legislation for the particular cause for termination of the contract.

There are certain cases of employees with a common labour relationship whose employment contract recognises the right to severance pay in the event of termination of employment for certain specific causes, usually only for improper dismissal. The amount of the severance pay is normally based on the employee's gross annual fixed salary at the date of termination of the contract.

Senior management: in the case of personnel linked to the Bank via a special senior management employment relationship (special senior management contracts governed by Royal Decree 1382/1995), the right to severance pay upon termination of employment for certain specific reasons is recognised. The amount of the severance pay for senior management is based on professional circumstances and the relevance and responsibility of the position held within the entity.

ANNUAL CORPORATE GOVERNANCE REPORT
OF ENTITIES OTHER THAN SAVINGS BANKS AND WHICH
ISSUE SECURITIES TRADED ON OFFICIAL MARKETS

APPENDIX II

ISSUER IDENTIFICATION DATA

REFERENCE REPORTING DATE	31/12/2013

TAX ID NUMBER	A79496055

COMPANY
BANCO COOPERATIVO ESPAÑOL, S.A.

REGISTERED OFFICES
CL. VIRGEN DE LOS PELIGROS N.4, (MADRID)

A. OWNERSHIP STRUCTURE

A.1 Provide details of the entity’s most significant shareholders at year end::

Tax ID number	Shareholder name	% ownership
	DZ Bank	12,022%
F-31021611	Caja Rural de Navarra	9,970%
F-99320848	Caja Rural de Aragón	9,970%
F-18009274	Caja Rural de Granada	9,543%
F-45755220	Caja Rural de Albacete, Ciudad Real y Cuenca	8,978%
F-91119065	Caja Rural del Sur	6,429%
F-33007337	Caja Rural de Asturias	5,776%
F-45003993	Caja Rural de Castilla - La Mancha	5,000%

A.2 Indicate, where applicable, relationships of a family, business, contractual or corporate nature with the significant shareholders, to the best of the entity's knowledge, unless they are irrelevant or derived from ordinary business activity.:

Tax ID number	Name	Type of relationship	Brief description

A.3 Indicate, where applicable, relationships of a business, contractual or corporate nature between the significant shareholders and the entity, unless they are irrelevant or derived from ordinary business activity:

Tax ID number	Name	Type of relationship	Brief description

A.4 If applicable, please specify any limitations on the exercise of voting rights, as well as any limitations on the acquisition or transfer of ownership of shares:

Yes ☐ No ☒

Description of restrictions

B. GENERAL MEETING OF THE SHAREHOLDERS OR EQUIVALENT BODY

B.1 List the quorum for the valid constitution of the general meeting of the shareholders or equivalent body, as established by the articles of association. Describe any differences between this quorum and the minimum stipulated in the Spanish Companies Act or any other applicable legislation.

> **Article 15 of the articles of association states:**
>
> "Both the ordinary and extraordinary general shareholders' meeting will be validly constituted at the first call when the shareholders present or represented hold at least fifty percent of subscribed share capital with voting rights. At the second call the meeting will be valid when the shareholders present or represented hold at least fifteen percent of share capital with voting rights.
>
> In order for the shareholders at their ordinary or extraordinary general meeting to validly agree the issue of bonds, a share capital increase/decrease, the transformation, merger, spin-off or winding-up of the company or, in general, any amendment to the articles of association, the shareholders present or represented at the first call must hold at least fifty percent of subscribed capital with voting rights. At the second call only twenty-five percent of the aforementioned capital is required.
>
> When shareholders representing less than 50% of subscribed share capital with voting rights are present or represented, the agreements mentioned in the preceding section may only be validly adopted with the favourable vote of two-thirds of the share capital with voting rights present or represented at the general meeting".

B.2 Explain the system for adopting corporate agreements. Describe any differences compared to the system foreseen in the Spanish Companies Act or any other applicable legislation.

> **Article 17 of the articles of association states:**
>
> "The position of Chairman and Secretary for the Annual General Meetings will be held by the individuals who occupy these positions within the Board of Directors. In the event of absence, the Chairman and Secretary will be elected by those in attendance at the meeting.
>
> The Chairman will lead the deliberations, passing the floor (in order) to all those shareholders who have requested so in writing, followed by those who present verbal requests.
>
> Each of the points on the agenda will be subject to a separate vote.
>
> Each share confers its holder the right to one vote.
>
> At the General Shareholders' Meeting agreements will be adopted by a majority vote from the shareholders present or represented. Nevertheless, agreements concerning the issue of bonds, share capital increases or decreases, the transformation, merger, spin-off or winding-up of the Company, and in general any amendment to the articles of association, will require the quorum stipulated in article 15, paragraph 2, of the aforementioned articles of association. Voting rights may not be exercised by shareholders who default on payment of unpaid shareholder contributions."

B.3 Briefly outline the agreements adopted by the shareholders or equivalent body at their annual general meetings during the year referred to in this report, and the percentage of votes with which these agreements were adopted.

The only shareholders' meeting held in 2013 took place on 29 May 2013. This meeting was both ordinary and extraordinary in nature. 30 shareholders attended in person (92.35% of share capital) and 0 were represented, giving an attendance of 92.35% of the Bank's share capital. The following agreements were discussed and adopted:

1. The individual and consolidated annual accounts for 2012 were unanimously approved, as was the management of the Board of Directors for that year and the distribution of profit for the year, as follows: Euros 2,054,380.47 to the legal reserve, Euros 9,489,424.26 to the voluntary reserve, and the distribution of a dividend of Euros 9,000,000.

2. Renewal of Auditors

It was unanimously agreed that KPMG AUDITORES, S.L. would continue as the auditor of Banco Cooperativo Español, S.A. and its subsidiaries, for a period of one year from 1 January 2013 until 31 December 2013.

3. Establishment of number of board members

It was unanimously agreed that the number of directors should be reduced from 20 to 15.

4. Appointment of board members

The 15 board members were appointed (i.e. the entire board, since two members resigned while the others had reached the end of their mandate).

Dr. Luis Esteban Chalmovsky was appointed by DZ Bank, exercising the right to group shares in accordance with the proportional representation system envisaged in article 243 of the Revised Spanish Companies Act.

The remaining 14 directors, appointed by unanimous consent, were:

- Mr. José Luis García Palacios
- Mr. Carlos Martínez Izquierdo
- Mr. Ignacio Arrieta del Valle
- Mr. José Antonio Alayeto Aguarón
- Mr. Nicanor Bascuñana Sánchez
- Mr. Carlos de la Sierra Torrijos
- Mr. José Luis García-Lomas Hernández
- Mr. Pedro García Romera
- Mr. Dimas Rodríguez Rute
- Mr. Cipriano García Rodríguez
- Ms. Dagmar Werner
- Mr. José María Quirós
- Mr. Jesús Méndez Alvarez-Cedrón
- Mr. Fernando Bergé Royo

5. Requests and questions

There were no requests or questions.

6. Reading and approval of the minutes, or appointment of representatives to do so.

The representatives for approving the minutes were unanimously appointed.

B.4 Indicate the address of the entity's website and how to access the corporate governance information.

The Bank's website is: www.bancocooperativo.es The access route to the Corporate Governance Report is: • On the home page go to "Institutional information". • Enter the section entitled "The Bank". • The 2013 "Corporate Governance Report" is published in the "Regulatory Compliance" chapter of this section.

B.5 Indicate if meetings have been held with the various syndicates (if applicable) of holders of securities issued by the entity, the subject of the meetings held in the year referred to in this report and the main agreements adopted.

There are no syndicates of holders of securities issued by the Entity (ordinary fixed and variable rate treasury bonds under state guarantee).

C. ADMINISTRATIVE STRUCTURE OF THE ENTITY

C.1 Board of directors or governing body

C.1.1 Provide details of the maximum and minimum number of members of the board of directors or governing body according to the articles of association:

Maximum board/governing body members	20
Minimum board/governing body members	10

C.1.2 Complete the following table on the members of the board of directors or governing body, and their positions:

MEMBERS OF THE BOARD OF DIRECTORS/GOVERNING BODY

15 board members had been appointed at 31 December 2013, i.e. the number of directors stipulated by the shareholders at the annual general meeting on 25 May 2013.

Member tax ID number	Name of the board/governing body member	Representative	Date of latest appointment
29.255.590-G	Mr. José Luis García Palacios		29/05/2013
03.714.588-L	Mr. José Luis García-Lomas Hernández		29/05/2013
16.761.254-G	Mr. Pedro García Romera		29/05/2013
73.067.461-A	Mr José Antonio Alayeto Aguarón		29/05/2013
16.221.514-M	Mr. Ignacio Arrieta del Valle		29/05/2013
21.870.038-M	Mr. Nicanor Bascuñana Sánchez		29/05/2013
18.902.361-H	Mr. Fernando Bergé Royo		29/05/2013
Y3.397.216-S	Mr. Luis Esteban Chalmovsky		29/05/2013
04.492.942-F	Mr. Carlos de la Sierra Torrijos		29/05/2013
11.716.359-K	Mr. Cipriano García Rodríguez		29/05/2013
72.868.002-T	Mr. Carlos Martínez Izquierdo		29/05/2013
33.310.790-M	Mr. Jesús Méndez Álvarez-Cedrón		29/05/2013
10.459.646-M	Mr. José María Quirós Rodríguez		29/05/2013
24.216.235-H	Mr. Dimas Rodríguez Rute		29/05/2013
	Ms. Dagmar Werner		29/05/2013

C.1.3 Identify, where applicable, the members of the board of directors or governing body who also hold director or managerial positions in other group entities:

Member tax ID number	Name of the board/governing body member	Name of the group entity	Tax ID of the group entity	Position

C.1.4 Complete the following table with information on the number of female board members, their duties and the change in numbers of the last four years:

	Number of female board members							
	2013		2012		2011		2010	
	Number	%	Number	%	Number	%	Number	%
Board of Directors	1	6.67%	1	5.88%	1	5.00%	0	0.00%
Appointments and Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.1.5 Complete the following table detailing aggregate remuneration accrued by the members of the board of directors/governing body during the year:

Remuneration	Thousands of Euros	
	Individual	Group
Fixed remuneration	0	0
Variable remuneration	0	0
Allowances	172	0
Other remuneration	0	0
Total	172	0

C.1.6 Identify any members of senior management who are not executive members of the board of directors or governing body, and include details of total remuneration accrued during the year:

Tax ID number	Name	Position
5.227.458-H	Mr. Javier Petit Asumendi	General manager
50.300.773-A	Mr. Ignacio Benlloch Fernández Cuesta	Corporate banking director
10.595.270-K	Mr. José Gómez Díaz	Private banking director
11.727.816-R	Mr. Ignacio de Castro Sánchez	Risk director and financial controller
51.622.948-T	Mr. Joaquín Carrillo Sánchez	Organisation director
2.699.646-K	Mr. Javier Moreno Rumbao	Studies director
682.268-L	Mr. Juan Luis Coghen Alberdingk-Thijm	Commercial director
1.806.275-Q	Mr. Francisco de Pablos Gómez	Treasury director
7.512.778-N	Ms. Ana San José Martín	HR director
44.352.963-Q	Mr. Antonio Mudarra Esquina	International area director
36.066.124-P	Mr. Ramón Carballás Varela	Legal advisory director
52.126.627-W	Mr. Carlos Luengo Gómez	Head of asset management
50.280.431-Q	Mr. Ángel González Castrillejo	Transactions manager

Total senior management remuneration (thousands of Euros)	2.261

C.1.7 Indicate whether the articles of association or regulations governing the board specify a limit to the term of service for members of the board of directors or governing body:

Yes ☐ No ☒

Maximum term (in years)	

C.1.8 Indicate whether the individual or consolidated annual accounts presented for approval by the board of directors or governing body have been previously certified:

Yes ☐ No ☒

Indicate, where applicable, the person(s) who certified the entity's individual and consolidated annual accounts for authorisation by the board of directors or governing body:

N/A

C.1.9 Explain, where applicable, the mechanisms established by the board of directors or governing body to ensure that the individual and consolidated annual accounts authorised by the former are presented to the shareholders (or equivalent body) at their general meeting with an unqualified auditors' opinion.

The code of good governance stipulates that the board of directors will endeavour to prepare the annual accounts in such a way as to ensure that an unqualified auditors' opinion is issued. Nevertheless, when the board considers that it must uphold its criteria, it will publicly explain the content and scope of the discrepancy.

The following mechanisms are in place:

1. The Bank's internal services are to prepare the annual accounts in a clear manner, presenting fairly the company's equity, financial position and results, and correctly applying all the accounting principles applicable to banks to the financial and accounting information therein.
2. The Bank has an internal procedure in place for "Internal Control Over Financial Reporting" (ICFR).
3. An Audit Committee has been formed within the Board of Directors, the responsibilities of which include the following:
   - To propose the appointment of the auditor, the contracting conditions, the scope of the professional mandate and, where applicable, their revocation or non-renovation
   - To review the Bank's accounts, and monitor compliance with legal requirements and the correct application of generally accepted accounting principles;
   - To serve as a communication channel between the board of directors and the auditors, evaluating the results of each audit and management team responses to the auditors' recommendations, and mediating in the event of discrepancies with regard to the accounting principles and criteria applied in the preparation of the financial statements.
   - Supervision of compliance with the audit contract, ensuring that the opinion on the annual accounts and the key content of the audit report are prepared in a clear and precise manner.

     The committee may obtain any information or documentation deemed necessary to carry out its functions, as well as involving the auditors, advisors or any other independent or Bank professionals.

Since its incorporation the Bank has never been subject to a qualified audit opinion.

C.1.10 Is the secretary of the board of directors or governing body also a member of the board?

Yes [ ] No [X]

C.1.11 Specify any mechanisms in place to preserve the independence of the external auditor, financial analysts, investment banks and ratings agencies.

The functions entrusted to the Audit Committee include monitoring the independence of the auditors of the Bank's accounts and compliance with contracting conditions.

The board of directors' code of good governance stipulates that the board and the Audit Committee must supervise situations that may give rise to independence risks concerning external auditors, and that the board of directors should refrain from contracting audit firms whose total fees exceed 5% of their total income for the prior year.

The Audit Committee must also review financial, economic and management information on the Bank issued to third parties (Bank of Spain, the Spanish National Securities Market Commission, shareholders, investors, etc.), as well as any memo or report received from the aforementioned third parties.

The committee regulations stipulate that its members must apply criteria and actions that are independent from the rest of the organisation, perform their work with the maximum diligence and professional competency, and maintain strict confidentiality.

C.2 Committees of the board of directors or governing body

C.2.1 List the governing bodies:

Name of the body	No. of members	Functions
Audit Committee	4	See point C.2.3.
Appointments and Remuneration Committee	4	See point C.2.3.

C.2.2 Provide details of the committees of the board of directors or governing body, and the members thereof:

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position
Mr. José Luis García Palacios	Chairman
Mr. José Luis García-Lomas Hernández	Member
Mr. José María Quirós Rodríguez	Member
Mr. Ignacio Arrieta del Valle	Member

AUDIT COMMITTEE

Name	Position
Mr. José Luis García Palacios	Chairman
Mr. José Luis García-Lomas Hernández	Member
Mr. José María Quirós Rodríguez	Member
Mr. Ignacio Arrieta del Valle	Member

C.2.3 Describe the regulations concerning organisation and functions, as well as the responsibilities allocated to each of the committees of the board of directors or governing body. Where applicable, the powers of the managing director should also be described.

Appointments and Remuneration Committee

The remuneration committee was created on 30 November 2011 as an internal body within the Bank's board of directors, with executive functions and decision-making powers within its areas of activity. All members of the remuneration committee are directors.

On 26 June 2013, this functions of this Committee were extended in order for the Bank to comply with the new requirements of Royal Decree 256/2013 of 12 April 2013, which incorporates into the regulations governing credit institutions the guidelines issued by the European Banking Authority on 22 November 2012 for assessing the suitability of members of the management body and key function holders.

The Committee has the following main functions with respect to **remuneration**:

1) To approve the items and system for payment within the Entity's general remuneration framework.

2) To approve the remuneration policy and basic contractual conditions for senior executives.

3) To monitor remuneration of those employees receiving significant remuneration whose professional activities expose the Entity to significant risk, based on proportionality principles in line with the size, internal organisation, nature and scope of the Entity's activity.

4) To monitor remuneration of personnel in charge of risk, audit, internal control and legislative compliance functions.

5) To supervise evaluation of the remuneration policy applied, at least annually, so as to verify whether the remuneration guidelines and procedures adopted by the committee are followed.

6) To issue an annual report on the director remuneration policy, to be submitted to the Board of Directors. The Committee will be required to justify this report at the shareholders' annual general meeting if the remuneration does not exactly correspond with the allowances for attendance at board meetings or if the actual time dedicated to the Entity differs, not considering mere attendance at meetings of the committees formed within the Board of Directors.

7) To ensure observance of the remuneration policy established at the Bank, as well as transparency in remuneration and in the required disclosures in the corresponding reports (notes to the annual accounts, corporate governance report, information of prudential relevance). To this end, it should review each year the principles on which the policy is based, and verify compliance with targets and whether the policy is in line with national and international regulations, standards and principles.

8) To issue and submit to the board of directors an annual report on the directors' remuneration policy.

The Committee has the following main functions with respect to appointments:

1) To assess the suitability of the parties subject to the rules, referred to in Royal Decree 256/2013 of 12 April 2013, which incorporates into the regulations governing credit institutions the guidelines issued by the European Banking Authority on 22 November 2012 for assessing the suitability of members of the management body and key function holders.

2) To assess the suitability of the parties subject to the rules on an annual basis and, specifically, whenever the Committee becomes aware of an unexpected circumstance that could alter their suitability for the position to which they have been appointed.

3) To identify individuals, other than those expressly included in the Entity's "Procedures Manual for Assessing the Suitability of Directors and Key Personnel", who could be considered parties subject to the rules pursuant to Royal Decree 256/2012.

4) To determine the initial and periodical training that all parties subject to the rules should receive, in particular the members of the Board of Directors.

5) To propose to the Board of Directors any amendments to these Rules, and any amendments to the Entity's "Procedures Manual for Assessing the Suitability of Directors and Key Personnel".

6) To perform any other functions assigned to it under these Rules or by decision of the Board of Directors.

Audit Committee

The Audit Committee is an internal body created within the Bank's Board of Directors. It has the reporting, advisory and proposal-related powers falling within its areas of activity, but no executive functions.

The scope of the committee's work encompasses the following areas:

- The sufficiency, adequacy and correct functioning of the Bank's internal control and assessment system, and compliance with the legal requirements that may be adopted by the board of directors with regard to committee-related matters. Particular attention is paid to ensuring that the internal codes of ethics and conduct comply with regulatory requirements, and are suitable for the entity.
- Auditor activity
- The Bank's economic and financial information for third parties.

Notwithstanding any other capacities assigned by the board of directors, the Audit Committee has the following basic responsibilities:

1) To approve the orientation, plans and proposals relating to the internal audit department, ensuring that activity is mainly focused on risk that is relevant for the Bank.
2) To evaluate the compliance level of internal audit plans and the implementation of their recommendations, supervising the appointment and replacement of the person in charge of these plans.
3) To ensure that internal audit has the sufficient resources and professional qualifications required to successfully operate.
4) To supervise that relevant risks of any nature that affect the achievement of the Bank's corporate objectives are reasonably identified, measured and controlled.
5) To ensure compliance with legislation, internal regulations, the code of conduct and all other provisions that regulate the Bank's activity.
6) To maintain ethical standards within the organisation, investigate any incidents of irregular or unusual conduct and conflicts of interest among employees, and initiate the relevant investigations in the event of third-party claims against the Entity.
7) To examine projects related to codes of conduct and amendments thereto, and to issue an opinion prior to the approval of proposals by the Bank's corporate bodies.
8) To advise and propose to the Bank's board of directors the appointment or replacement of the auditors of the Bank's accounts, for approval by the shareholders.
9) To monitor the independence of the auditors and compliance with contracting conditions.
10) To review the content of audit reports and serve as a channel for

communication between the board of directors and the Bank's auditors. 11) To evaluate the results of each audit and supervise management team responses to the auditors' recommendations. 12) To review financial, economic and management information relating to the Bank for third parties (Bank of Spain, Spanish National Securities Market Commission, shareholders, investors, etc.), as well as any communication or reports received from the aforementioned parties. 13) To supervise compliance with legal requirements and the correct application of generally accepted accounting principles with regard to the Bank's annual accounts and directors' report. 14) To evaluate any management proposals concerning changes to accounting practices and policies.

C.2.4 Indicate the number of audit committee meetings held during the year:

Number of meetings	3

C.2.5 If there is an appointments committee, indicate whether all its members are external board members or members of the governing body.

Yes [X] No [ ]

D. RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Provide details of transactions between the entity or group entities and shareholders, cooperative members and holders of proprietary rights or equivalent.

D.2 Provide details of transactions between the entity or group entities and the directors, management or members of the governing body of the entity.

D.3 Provide details of intragroup transactions.

D.4 Provide details of the mechanisms in place to detect, determine and resolve possible conflicts of interest between the entity or the group and the members of the board of directors or governing body or the entity's management.

El Código de Buen Gobierno del Consejo de Administración establece en su artículo 26:

1) "Contracts signed or obligations assumed by the Bank (not included in the rendering of services pursuant to its statutory activity) relating to members of the board of directors, management or the relatives thereof to the second degree of consanguinity or affinity, will not be considered valid unless prior approval is granted by the shareholders at their general meeting. The individuals subject to the situation of conflict in question will not be permitted to take part in this vote. Shareholder authorisation will not be necessary when these relationships are inherent to the position of shareholder.

2) Agreements made by the board of directors or, if applicable, the delegate committee, concerning transactions or services for members of the board of directors, the delegate committee or general management, or the relations thereof within the limits stipulated in the preceding section, must be clearly included in the agenda for the meeting and approved by the favourable vote of the majority of board members present.

3) If the beneficiary of the transactions or services is a board member (or relative thereof as stipulated above), the board member will be considered as subject to a conflict of interests, and will not be allowed to participate in any deliberations or voting concerning this matter, making himself absent from the meeting for the time it takes to deal with this point on the agenda.

4) Following the vote and once the results have been announced, the minutes should include any reservations or discrepancies with regard to the agreement adopted.

5) The conditions laid out in the preceding paragraphs will also be applicable when incorporating, suspending, modifying, renewing or terminating the Bank's rights or obligations with entities in which the aforementioned individuals or their family members are employers, board members, directors, senior management, advisors or shareholders with a capital interest equal to or exceeding 5%.

6) The conditions laid out in paragraphs 2, 3 and 4 will also be applicable when considering the hiring of a person related to a Bank board member or director up to the second degree of consanguinity or affinity as a manager or employee on a temporary or permanent contract. In any event, candidates must be contracted considering their qualities and the characteristics of the position to be covered, with no special treatment being given due to the individual's relationship with a Bank board member or director."

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the entity's risk management system:

The activities carried out by Banco Cooperativo involve the assumption of certain risks, which should be controlled and managed so that the Bank constantly has the support of control systems that are adequate for the level of risk assumed. A set of basic principles has been defined as a guideline for the management and control of the risks assumed by the Bank as a result of its activity, including but not limited to the following: • Active participation in and supervision of the Company's governing bodies. The board of directors actively participates in the approval of general business strategies, and defines the policies for assuming and managing risk, ensuring that the appropriate risk policies, controls and monitoring systems are in place and that all lines of authority are clearly defined. • General internal control environment. This is manifested through a risk management culture which, driven by the board of directors, is diffused through all levels of the organisation, clearly defining the objectives that avoid risks being taken or unsuitable positions adopted due to a lack of suitable organisation, procedures or control systems. • Selection of adequate risk measurement methodologies. The Bank has adequate risk-management methodologies to enable the various risk factors to which it is exposed to be identified. • Evaluation, analysis and monitoring of the risks assumed. The identification, quantification, control and ongoing monitoring of risks allows a relationship to be established between the profitability obtained through the transactions carried out and the risks assumed.

E.2 Identify the bodies within the entity that are responsible for preparing and executing the risk management system.

The Board of Directors and the Risk Committee participate actively in the approval of business strategies and are responsible for defining risk assumption policies, ensuring that the appropriate policies, controls and systems exist. The main function of the Audit Committee is to support the Board of Directors in its duties of monitoring internal controls and the independence of the external auditor, through regular reviews of the process for preparing financial information.

E.3 Indicate the main risks that could affect the achievement of the business objectives.

The most significant risks affecting the Group's activity can be classified into the following categories:

- **Credit risk**
- **Market risk**
- **Interest rate risk**
- **Counterparty risk**
- **Liquidity risk**
- **Operational risk**

E.4 Indicate the entity's risk tolerance level.

The Board of Directors periodically reviews the risk policies, limit-setting systems and powers assigned for all significant risks to ensure that they are within established risk tolerance levels.

There are precise limits and metrics for each type of risk and organisational unit, which can be summarised as follows:

For credit risk, quantitative limits are assigned for the approval of risks depending on the organisational level, type and time frame of the operation.

For structural and market risks, specific metrics are used for each risk (level of exposure, value at risk (VaR), variation in financial margin, variation in economic value) and limits are established for each one.

Given the heterogeneous nature of the risks, in keeping with the principle of proportionality in management and considering the specific levels established by the directors for each case, to date it has not been considered necessary to establish an overall limit for acceptable risk at corporate level.

E.5 Indicate any risks arising during the year.

As mentioned in the preceding section, the activity carried out by Banco Cooperativo involves the assumption of certain risks, which should be correctly managed and controlled so as to ensure that the Bank always has the support of control systems suitable for the risk level assumed.

Exposure to other risks is limited, control systems have functioned correctly and no special situations have arisen which, due to their magnitude, involved the assumption of risks exceeding the limits for the management and control thereof.

E.6 Indicate the plans in place for responding to and supervising the entity's main risks.

Credit risk

The most senior decision-making body with regard to credit risk is the board of directors, with delegated powers for this purpose, including:

- establishment of strategic risk policies, evaluation of performance and introduction of any corrective measures deemed necessary in each case; and
- sanctions relating to any considerations not encompassed by the powers of the remaining decision-making bodies.

The board has delegated part of its powers to the risk committee (up to a certain risk volume per borrower), which is formed by the general manager, the global risk management director, the credit risk director and the director of the area proposing acceptance of the transaction.

The Bank’s credit risk management area forms part of the global risk management unit. The objective of this area is to design, implement and maintain credit risk measurement systems, as well as enforcing and focusing the use of these systems and ensuring that decisions taken with regard to these measurements consider their quality. As stipulated by the regulator, this area is independent from the risk-generating areas, thereby guaranteeing the objectivity of the measurement criteria and the absence of any distortion that may arise from commercial considerations.

In accordance with the requirements of the New Basel Capital Accord, credit risk measurement is based on the existence of internal rating and scoring models that predict the probability of non-compliance with the various areas of risk exposure that affect the loans and receivables portfolio, also allowing the credit rating of transactions and/or counterparties to be placed in order on a master risk scale.

Market risk

The Assets and Liabilities Committee is responsible for managing and controlling the risks incurred in the different areas of the Bank. This committee is currently formed by the general manager, the treasury director, the capital markets director, the risk director, the head of studies and the head of the market risk analysis and control unit (a unit that reports to risk management).

This committee is a flexible and specialised body, which oversees compliance with established policies and monitors the different areas of the market more frequently.

The committee’s main duties and responsibilities are as follows:

- Approve risk policies and general risk management procedures
- Approve market, credit and liquidity risk measurement and analysis methodologies.
- Design the risk limit structure
- Monitor the level of compliance with risk management policies

- Review and recommend investment strategies

Market risk management is carried out on a two-tier basis:

- Positions derived from trading activity, which includes portfolios held to benefit from gains on short-term price variations
- 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 market 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 simulation 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 had 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 Assets and Liabilities Committee.

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.

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.

The risk analysis unit continuously monitors the level of credit risk concentration by country, sector or counterparty. The Assets and Liabilities Committee reviews the appropriate exposure limits in order to adequately manage the level of credit risk concentration.

Liquidity risk

The Assets and Liabilities Committee monitors the maturity of assets and liabilities and, in light of their nature, maintains high levels of liquidity.

The methods used for controlling liquidity are the liquidity gap and liquidity ratios. The committee regularly carries out supplementary stress testing to determine the liquidity structure the Entity would maintain when exposed to scenarios that are likely to cause liquidity crises.

The liquidity gap provides information on cash inflows and outflows in order to detect timing differences between collections and payments. Behavioural criteria and assumptions have been established for unknown contractual maturities.

Two parameters have also been set for controlling liquidity risk:

- The short-term liquidity ratio. Control of this ratio ensures that there is no excessive short-term leveraging, and the analysis covers a 30-day period.
- The liquidity ratio measures the relationship between liquid assets and total callable liabilities.

Operational risk

The Bank is aware of the strategic importance of adequate operational risk management and control, and is in the process of implementing the techniques required to adopt the standard operational risk method, which will also allow foundations to be laid for the future implementation of advanced models (advanced measurement approach).

The Group’s main operational risk objectives are as follows:

- To detect current and potential risks so that management decision-making can be prioritised.
- To continually improve control processes and systems so that any risks that may arise can be minimised.
- To raise awareness within the organisation concerning the level and nature of operational loss events.

Operational risk measurement procedures and systems

Work is currently underway to implement the following qualitative methodologies proposed by Basel:

- Operational risk inventory and description of existing controls.
- Self-assessment questionnaire to measure the Entity's exposure to the aforementioned risks and evaluate the associated controls.
- Creation of a database of losses arising from operational risk events.
- Identification and capture of the most significant Key Risk Indicators (KRI) which have the greatest correlation with the potential risk and the impact thereof.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms that comprise the risk management and control systems related to financial reporting (ICFR) of your entity.

F.1 The entity's control environment

Indicate the main characteristics of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

- The board of directors assumes ultimate responsibility for the existence and updating of a suitable, effective ICFR.
- The Audit Committee is responsible for supervising ICFR, including control over the preparation and presentation process, compliance with legislative requirements, sufficient definition of the consolidated group and correct application of accounting criteria. The Audit Committee will be supported by internal audit when supervising ICFR.
- The General Audit Department, which reports to General Management, is responsible for the design, implementation and operation of ICFR. The department identifies risks to be included in the financial information, draws up documentation describing the flows of activities and controls, and is responsible for implementing and carrying out ICFR.

The following is established in article 33 of the Code of Good Governance with respect to the Bank's board of directors:

Article 33 General public relations

1) The board of directors shall adopt the measures necessary to ensure that annual financial information, or six-monthly, quarterly or any other information that should be prudentially made available to the public, is

prepared in line with the same professional principles, criteria and practices and is equally reliable as the annual accounts. To comply with the latter, information is reviewed by the Audit Committee.

2) The board of directors shall include information on the Bank's governance regulations and the degree of Compliance with Code of Good Governance in its annual public documentation.

As stipulated in article 6 of its Rules, the duties of the Audit Committee, within the board of directors, include:

Article 6 Duties relating to the preparation of financial and economic information

The principal duties of the committee are:

9) To review financial, economic and management information relating to the Bank for third parties (Bank of Spain, Spanish National Securities Market Commission, shareholders, investors, etc.), as well as any communication or reports received from the aforementioned parties.

10) To supervise compliance with legal requirements and the correct application of generally accepted accounting principles with regard to the Bank's annual accounts and directors' report.

F.1.2. Does the entity have in place the following components, especially in connection with the financial reporting process:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures in place to correctly disseminate them throughout the entity.

General management is responsible for reviewing the organisational structure, which is carried out through human resource management who, based on the needs of the Banco Cooperativo Español Group, analyse and adapt the structure of operating departments, offices and operational departments, as well as defining and assigning functions entrusted to the various members of each department and line of business.

Detailed descriptions have been prepared of the positions, including a diagram of the corporate structure with the positions, definitions of the functions, missions and corresponding professional behaviour and requirements.

Any relevant modifications of the organisational structure are approved by the General Manager and announced through internal communications via corporate electronic mail and on the intranet, accessible by all Banco Cooperativo Español Group professionals. The Group's intranet contains the latest version of the corporate structure diagram.

The majority of the Bank's activity and business areas also have operating procedure manuals for the corresponding tasks. These manuals are also available to all Group employees on the company intranet.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

All Banco Cooperativo Español Group employees are familiar with the code of conduct for management and employees, which provides action guidelines based on professional ethics and the obligation to know and strictly comply with the regulations applicable to the Bank.

Based on the aforementioned general code of conduct applicable to employees with functions and responsibilities pertaining to the preparation of the financial and accounting information of the Bank and the Group, their direct responsibilities are as follows:

- See that all operations and transactions performed by the Bank and the Group are recognised in the accounts in accordance with generally accepted accounting principles.
- Stay abreast of accounting regulations and the Group's policies and procedures and perform their functions accordingly. They are obliged to request professional advice internally where they deem it necessary.
- Be aware of possible violations of the financial and accounting policies of the Bank and the Group that may be detected when analysing the accounting information and report them immediately.
- Communicate and report economic and financial information with total transparency.
- Store any documents that support the accounting entries in accordance with the policies of the Bank and the Group.
- Immediately report any pressure exerted by management in an attempt to manipulate accounting estimates and/or measurements with a view to altering financial results.

The Audit Committee, through or at the request of the General Audit Department, Internal Audit Department and General Management, is in charge of investigating breaches and proposing corrective or disciplinary action.

- 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Bank has a 'whistle-blowing' channel which is a highly useful means of staying abreast of all conduct within the organisation that may constitute a crime, and therefore require investigation and the adoption of the corrective measures to avoid criminal charges being brought against the entities currently comprising the Banco Cooperativo Español Group and any others that may join this group in the future.

This 'whistle-blowing' channel also aims to strengthen the Bank's internal risk management and control systems related to financial reporting (ICFR) and, in particular, facilitate reporting of any financial or accounting irregularities to the Audit Committee, in addition to possible breaches of the code of conduct and any irregular activities in the organisation.

Regarding the foregoing, the code of conduct for management and employees expressly allows for employees to report irregular or unethical acts, including those of a financial or accounting nature, while guaranteeing confidentiality:

> *"Reporting Unethical or Fraudulent Acts*
> *Any employees aware of irregular or unethical acts by Company personnel are required to report these activities to the Entity immediately.*
> *In addition to the immediate superior, who should be the first point of contact, the Bank has certain employees to whom these acts should be reported. The Director of the Area to which the employee belongs, or the head of human resources, are the most appropriate individuals to whom these concerns should be addressed.*
> *All reports of this matter shall be investigated immediately in a confidential manner.*
> *The Bank shall take no reprise of any type against employees reporting incidents of this nature."*

The Audit Committee's duties relating to internal control systems and compliance with the code, as stipulated in article 4 of its Regulations, include:

> *(...)*
> *5) To ensure compliance with legislation, internal regulations, the code of conduct and all other provisions that regulate the Bank's activity.*
> *6) To maintain ethical standards within the organisation, investigate any incidents of irregular or unusual conduct and conflicts of interest among employees, and initiate the relevant investigations in the event of third-party claims against the Entity.*
> *7) To examine projects related to codes of conduct and amendments thereto, and to issue an opinion prior to the approval of proposals by the Bank's corporate bodies.*

The body ultimately in charge of the 'whistle-blowing' channel is the Audit Committee, although an Ethics and Conduct Committee has been created as an independent technical body that is in charge of managing the reported breaches of the codes of conduct and possible criminal acts, i.e. those that may not be evaluated and resolved directly by the internal audit department (any irregularity <material misstatement or fraud> committed when issuing Financial Information

<ICFR> and accounting information of the Entity).

The Ethics and Conduct Committee, which is subject to the regulations governing the 'whistle-blowing' channel of Banco Cooperativo Español, and, where applicable, the internal audit department under the terms established in the Regulations, ensures that all queries, reports and complaints are analysed in an independent and confidential manner and guarantee that the identity of both the person filing the complaint and the subject of the complaint remains confidential by informing only those people who are essential to the process.

- Training and knowledge update programmes for employees involved in the preparation and review of financial information and the evaluation of ICFR, which cover at least accounting standards, audits, internal control and risk management.

The Entity has a SAP-integrated professional development system which includes definitions of the duties and technical knowledge of each position. All Banco Cooperativo Español Group professionals are evaluated once a year and an action plan is drawn up which includes measures to improve areas in which weaknesses are detected, specifically training initiatives.

The training unit, which is part of human resources, has prepared a training plan which includes attendance and online courses, which are accessible by all Banco Cooperativo Español Group employees.

All units involved in preparing financial information have received financial reporting training and also receive ongoing refresher courses as changes to regulation are made, which cover first-time application in the year and approved or substantially enacted legislation which will affect future years.

To emphasise the importance of ICFR, human resources, together with the general audit department and internal audit, are expected to prepare an ad-hoc training plan, with regular updates from personnel involved in preparing and reviewing financial information and evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The code of conduct for employees states:

Awareness of and Compliance with Prevailing Standards

All Bank employees are required to be familiar and comply with prevailing standards at all times.

F.2 Risk assessment in financial reporting

Report on at least:

F.2.1. What are the main characteristics of the risk identification process, including risks of error or fraud, stating whether:

• The process exists and is documented.

An operating and procedures manual currently exists that covers the objectives of control over the effectiveness of operations, the reliability of financial information and compliance with laws and other applicable regulations.

This manual aims to document all risks associated with relevant processes and activities in financial reporting. This analysis is carried out on the basis of quantitative materiality of the line items in the consolidated financial statements of the Banco Cooperativo Español Group. A qualitative analysis is also carried out considering matters such as whether processes are automated, whether transactions are standard, accounting complexity, the need for estimates, etc.

• The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

The Entity uses a top-down approach when identifying risks in financial information, in keeping with the criteria of relative importance approved by the Board of Directors and which culminates in the identification of a risk map of financial information that includes group entities and critical processes and sub-processes of the Bank.

As part of its ICFR undertakings, the Entity has analysed and identified various critical processes, relevant areas and risks associated with financial information, including misstatement or fraud.

This analysis is carried out on the basis of quantitative materiality of the line items in the individual and consolidated financial statements of the Banco Cooperativo Español Group. A qualitative analysis is also carried out considering matters such as possible risk of misstatement or fraud, whether processes are automated, whether transactions are standard, accounting complexity, the need for estimates, etc.

The General Audit Department is responsible for periodically checking that no significant changes are required to the financial information risk map, updating it if necessary and informing the Internal Audit Department. To this end, at least once a year, based on the latest available financial information and, together with the various areas of the Bank and the Group whose processes have a critical effect on the preparation and generation of financial information, the General Audit Department identifies the main risks that could affect its reliability and the control initiatives designed to mitigate these risks.

Nonetheless, if during the year any circumstances arise that have not been identified previously and could potentially give rise to misstatements in the financial information or substantial changes in the operations of the Entity or Group, the Bank's General Audit Department undertakes to identify any additional critical risks and/or processes.

All the critical business processes identified as significant when preparing the financial information are allocated to a particular area that is in charge of documenting the critical processes, identifying their inherent risks, evaluating existing controls and defining and implementing new controls if necessary.

The identification of financial reporting risks and the controls designed to monitor critical processes and relevant activities, take into account the following:

- The risks associated with both routine transactions and less frequent and potentially more complex transactions, and the effect of other types of risk (financial, operating, technological, legal, reputational, environmental, etc.).
- The financial reporting objectives based on materiality and qualitative criteria, focusing on the areas and process with the greatest risk of fraud and/or misstatement, intentional or otherwise, on estimates, and taking into account the principles of occurrence, integrity, valuation, disclosure and comparability. Specifically, the following basic aims are established:
- Existence: All the assets (rights) and liabilities (obligations) recognised on the Bank's and the Group's balance sheet exist and the transactions recognised occurred in the period referred to.
- Completeness: Not only do they exist, but all the assets and liabilities at the reporting date and the transactions during the period have been recognised.
- Measurement: The amount at which assets and liabilities, and income and expenses have been recognised has been determined based on generally accepted principles.
- Presentation: The information is sufficient and adequate, it is correctly described and classified and is comparable with the prior period.

- A specific process is in place to define the consolidated group, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc

The General Audit Department is in charge of defining the consolidation scope of the Banco Cooperativo Español Group.

The criteria used to assess and analyse significant influence and/or the concept of control, which are fundamental to deciding the consolidation methods for the various subsidiaries, associates and special purpose vehicles, are those stipulated in local and international accounting regulations.

The main accounting principles, including those related to defining the scope of the Group, are described in detail in the notes to the individual and consolidated annual accounts.
It should nonetheless be noted that the corporate structure of the Banco Cooperativo Español Group is straightforward and comprises, in addition to the Bank, a small number of companies which together represent less than 1% of the Group's consolidated assets. There are currently no complex corporate structures or special purpose vehicles.

- The process addresses other types of risk (operational, technological, financial, legal, reputational, environment, etc.) insofar as they may affect the financial statements.

> The process addresses other types of risk (operational, technological, financial, legal, reputational, etc.) that have been included in the ICFR process based on their materiality and relevance with respect to the financial statements.

- Which of the entity's governing bodies is responsible for overseeing the process.

> The functions and responsibilities of the Internal Audit Department include supervision of the risk identification and financial reporting process and the effectiveness of the controls in place to ensure that the financial information is correctly issued.
>
> It is ultimately the Board of Directors, through the Audit Committee, that is responsible for supervising the process with the support of the Internal Audit Department.

F.3 Control activities

Report on whether the Bank has at least the following, indicating the main characteristics:

F.3

F.3.1. Procedures for reviewing and authorising financial information and the description of ICFR to be published in the securities markets, indicating the persons responsible, and the documentation describing the flow of activities and controls (including those related to fraud risk) of the various transactions that could have a material impact on the financial statements, including the accounting close procedure and the specific review of the judgements, estimates, valuations and relevant projections.

> Banco Cooperativo Español and its Group have processes in place for reviewing and authorising the financial information that is issued to the markets with the frequency stipulated in prevailing legislation applicable to the Entity and its Group.
>
> In this regard, article 6 “Duties relating to the preparation of financial and economic information” of the Audit Committee Regulations stipulates that the functions of this Committee include:
>
> *1.- To review financial, economic and management information relating to the Bank for third parties (Banco de España, Spanish National Securities Market Commission (CNMV), shareholders, investors, etc.), as well as any communication or reports received from the aforementioned parties.*
> *2.- To supervise compliance with legal requirements and the correct application of generally accepted accounting principles with regard to the Bank's annual accounts and directors’ report.*
> *3.- To evaluate any management proposals concerning changes to accounting practices and policies.*

Therefore, based on the foregoing, the Audit Committee is in charge of verifying the integrity and consistency of the quarterly and half-yearly financial statements of the Bank and the Group, as well as their annual accounts, notes thereto and directors' report, prior to their approval or proposal by the Board of Directors and their publication, and supervises the Bank's policy regarding debt issue prospectuses and other types of publicly available information.

The generation, preparation and review of the financial information of the Bank and its Group is carried out by the General Audit Department, which secures from the other areas of the Entity the collaboration and documentation required to achieve an adequate level of detail in this information. It also executes the controls in place to ensure consistency between public information and the individual and consolidated financial statements of the Bank and the Banco Cooperativo Español Group, respectively.

The generation and review of financial information relies upon the adequate use of human and technical resources that enable the Entity to provide precise, reliable and comprehensible information in accordance with prevailing legislation. The following should be noted in this respect:

- As regards human resources, the professional profile of the persons participating in the review and authorisation of financial information is adequate and they have extensive knowledge and background in accounting, auditing and risk management matters.
- The technical equipment and information systems guarantee the reliability and integrity of the financial information by implementing control mechanisms.

In addition to the foregoing, and assuming that adequate human and technical resources are in place, the financial information is supervised by the different hierarchical levels of the General Audit Department (exercising the function of Finance Department) and, where appropriate, together with other areas of the Entity. To this end the Entity has devised different levels of control and supervisory mechanisms for financial information:

- A first level of control is performed by the various areas of the Entity that generate the financial information, with a view to guaranteeing the correct recognition of balances and transactions in the accounts.
- A second level of control is implemented by the Accounting Department, which reports to the General Audit Department. Its basic function is the accounting control of the business applications managed by the different areas of the Entity, to oversee the correct accounting functionality of the applications and ensure that they record entries in accordance with the defined accounting circuits, generally accepted accounting principles and applicable accounting standards.

  To this end, various monthly review and verification procedures are in place, such as account reconciliation, analysis of month-on-month variations, comparative analysis of actual and budgeted performance, and the development of indicators of business performance and financial position.

- Finally, a third level of control is performed by the Internal Control Area, which reports to the General Audit Department and assesses whether the practices and processes carried out by the Bank to prepare financial information guarantee its reliability and compliance with applicable legislation. Specifically, it assesses whether the financial information prepared by the various areas and Group entities complies with the following principles:
    - The transactions, acts and any other events included in the financial information effectively occurred and were recorded at the appropriate time (existence and occurrence).
    - The information reflects all transactions, acts and other events affecting the Entity (completeness).
    - Transactions, acts and any other events are recognised and measured in accordance with accounting regulations (measurement).
    - Transactions, acts and any other events are classified, presented and disclosed in the financial reporting pursuant to applicable legislation (presentation, disclosure and comparability).
    - The financial information reflects, on the corresponding date, the rights and obligations arising from assets and liabilities in accordance with applicable legislation (rights and obligations).

In addition to the foregoing, the Internal Audit Department's annual audit plans include a review of financial information prior to its publication on the market. This information mainly corresponds to the individual and consolidated financial statements of the Bank and its Group.

The Audit Committee takes part in the final phase of this review and monitoring of the preparation of financial information and reports its conclusions on the financial information to the Board of Directors. Ultimately, it is the Board of Directors that approves the financial information the Entity must publish periodically, and this is formalised through the minutes to the various meetings of the Board and/or Committee.

Moreover, the individual and consolidated financial statements of the Bank and the Group are subject to audit. The external auditors issue their audit opinion and report directly to the Entity's Management and the Audit Committee on the review process and the conclusions drawn.

As part of the activities and specific controls on transactions that may materially affect the financial information, the Entity has identified specific material risks and areas, as well as relevant processes therein, keeping a descriptive record of each of the critical processes, flows of activities, risks, controls performed, their frequency and the persons responsible for implementing them.

The processes and activities which, due to their significance, could have an impact on the financial information, are as follows:

- Markets:

    1.- Cash.

2.- Capital markets.

- Commercial banking:

  3.- Loans and advances to other debtors.

  4.- Deposits from other creditors.

- Asset management:

  5.- Asset management.

- Support structure:

  6.- Organisation and systems.

  7.- Human resources.

  8.- Tax and legal advisory.

  9.- Accounting and internal control.

The documentation on these critical processes, which is periodically updated, lays down the procedures and controls that must be observed at all times, why they are executed (the risk they intend to mitigate), who should execute them and how often, and/or the staff who are responsible for them. The descriptions cover controls related to adequate recognition, measurement, presentation and disclosure for these areas.

The accounting processes of the Bank and its subsidiaries are almost entirely automated and are triggered automatically following recognition of each operation and/or transaction. For this reason, the ICFR focuses particularly on manual accounting processes and the process for launching new products, operations or special and non-recurrent transactions.

Manual entry accounting is limited to users specialised in the area of operations and accounting. The entries are perfectly traceable as a record is kept of the user who made the entry together with a description of that entry.

Besides controls at the level of critical processes and activities, second-level controls are performed for the purpose of detecting material misstatements that could affect the financial information. Notable controls include:

- Reconciliation of inventories and accounting databases.
- Monitoring of inflow/outflow accounts and other.
- Monitoring of items pending application.
- Reconciliation of accounts and balances with other financial institutions.
- Reasonableness of the balances, returns and costs related to the movement in interest rates and activity.
- Deviations from the budget.
- Monitoring of large entries.
- Etc.

Regarding the accounting close and review of accounting judgements and estimates, evaluations and significant projections, the actions taken in this area are part of the process established by the General Audit Department, which is described in detail in the notes to the individual and consolidated statutory annual accounts of the Bank and the Group, respectively.

The process applied to judgements and estimates aims to validate and confirm the estimates that may have a significant impact on financial information, and that basically refer to:

- Impairment losses on certain assets.
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and commitments.
- The useful lives of tangible and intangible assets.
- The measurement of goodwill arising on consolidation.
- The fair value of certain financial assets not quoted on official markets.
- Estimates used in the calculation of other provisions.
- Calculation of income tax and deferred tax assets and liabilities.

These judgements and estimates are formulated by the areas with expertise in each matter and which are therefore responsible for them in terms of the calculation method used, the estimates and final approval. These estimates are based on the best information available at the date of preparation of the financial statements using generally accepted methods and techniques and observable and verified information and assumptions.

Additionally, the General Audit Department of the Bank and/or the Finance and Accounting Department of each of its subsidiaries, where appropriate, analyses the estimates when preparing the financial information so as to verify their consistency and reasonableness, and they are ultimately approved by the Board of Directors.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The systems department, which forms part of the organisation area, has put in place sufficient security protocols, including access control to each system.

The Banco Cooperativo Español Group's core banking computer applications were designed to comply with CMMI standards, allowing the IT systems developed to be operated as planned, thereby minimising errors when generating financial information.

As regards system operation, the Banco Cooperativo Español Group has drawn up a system operation plan which, inter alia, incorporates three IT support centres located elsewhere to replace the main centre in the event of a contingency:

- One technology centre is dedicated to core banking, SWIFT, treasury back office and private banking.
- An alternative work centre is specifically to provide support to treasury and capital market activities, so that market operators and the control and support

areas of these activities can continue to function in the event of any contingencies in the building in which they currently work.

- Another centre is for alternative positions, with duplicate systems for remaining operations.

Furthermore, key personnel may work by accessing the Group's IT systems outside the office from any location with a secure internet connection.

The Banco Cooperativo Español Group has a daily back-up system, whereby one copy is saved on the Group's own host and another is saved at a separate IT centre. The entire back-up is regularly reviewed.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The rural savings banks with shares in Banco Cooperativo have incorporated a number of companies (including the Bank) to improve efficiency and achieve certain economies of scale. One of these companies is the technology company Rural Servicios Informáticos, SC, which, like the Bank, renders IT management services to its and the Bank's shareholders. A common, centralised IT management and application platform is used to render these services, which includes software for accounting recording processes of operations and preparing financial information.

The Banco Cooperativo Español Group regularly reviews which activities relating to the preparation of financial information are outsourced and, if so required, the general audit department establishes control procedures to verify the reasonableness of the information received.

The Banco Cooperativo Español Group contracts independent third parties to obtain certain valuations, calculations and estimates, such as asset appraisals, actuarial calculations, etc., used to prepare the individual and consolidated financial statements disclosed to the markets.

The Group currently has monitoring and review procedures in place for outsourced activities and calculations and appraisals by independent experts which are relevant to generating financial information. These monitoring procedures are subject to review so as to expressly verify the degree of compliance with ICFR specifications and consistency with best market practices.

The procedures address the following aspects:

- Formal appointment of those in charge of carrying out various actions.
- Analysis of various proposals prior to outsourcing.
- Monitoring and review of the information generated or service provided.
    - In the case of outsourced activities, request of regular reports, involvement of internal audit in plans, any requirements to be audited by third parties, regular review of training and accreditation of the expert.
    - Controls are in place to review the validity of the information provided from appraisals by external experts, and the training and accreditation of the expert

are regularly reviewed.

The Bank evaluates estimates internally. The competence, independence, validation of methods and reasonableness of the assumptions used are verified for all third parties with which the Group works on certain specific matters.

F.4 Information and communication

Report on whether the Bank has at least the following, indicating the main characteristics:

F.4

F.4.1. A specific area responsible for defining and updating accounting policies (accounting policies area or department) and resolving queries or disputes arising from their interpretation, maintaining fluid communications with those responsible for operations in the organisation, and an up-to-date accounting policies manual that is distributed to the units through which the entity operates.

The general audit department is responsible for defining and maintaining the accounting policies applicable to operations carried out by the parent company and subsidiaries of the Banco Cooperativo Español Group. New regulations are analysed by this department, who subsequently give instructions as to their implementation in the IT systems.

With regard to manuals, the Bank has an Accounting Procedures Manual for the Bank and the Group, which is constantly updated and is available to all Group employees involved in the development and supervision of financial reporting.

The Group's accounting policies are based on the Banco de España Circulars (mainly Circular 4/2004 of 22 December 2004 to credit institutions on public and confidential financial reporting rules and formats, and subsequent amendments thereto). They indicate the specific choices made by the Bank, where appropriate, and cover all the types of operations and transactions undertaken by the Bank and the Group.
This manual also specifically includes certain criteria or accounting principles which, although they could not be left out of the Banco de España Circulars, in fact have their origin in the International Financial Reporting Standards as adopted by the European Union (hereinafter IFRS-EU), the ultimate source on which the current consolidated accounting standards of the Group are based.

The Audit Committee is also involved in determining the accounting standards and principles to be applied within the Group. As stipulated in article 6.3 of its Rules, the duties of the Audit Committee include:

> *"To evaluate any management proposals concerning changes to accounting practices and policies."*

Accounting guidelines and standards for Group subsidiaries are established by the general audit department, based on homogeneous criteria and formats that facilitate preparation of the Group's consolidated financial information

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The consolidation process and preparation of financial information are carried out centrally.

The Group's IT applications are grouped into a multi-fold management model which, in line with the IT system structure necessary for a bank, provides the following types of services:

- general IT systems, which provide information for heads of areas or units.
- management systems, which facilitate information on the monitoring and control of the business.
- operational systems, which cover the entire life cycle of products, contracts and customers.
- structural systems, which support data common to all applications and services for their operation. All systems relating to accounting and economic data are included in those systems listed above.

One of the key objectives of this model is to provide the systems with the IT program infrastructure required to manage and subsequently record all operations performed in the accounting records, as well as provide the means necessary to access and consult supporting data.

Applications do not generate accounting entries; instead, information on transactions is sent to an accounting model template, which presents the entries and movements to be recorded for each operation. Entries and movements are designed, authorised and updated by the general audit department.

Certain applications that do not use the procedure described above instead contain their own accounting ledgers and directly transfer data to general accounting records through movements to the accounts. As a result, the accounting entries are defined within the applications.

This accounting infrastructure generates the processes necessary to prepare, report and store all regulatory and internal financial reporting, which is permanently under the supervision and control of the general audit department.

In view of its simplicity, the consolidation process is carried out once a month using an office application. However, certain information verification and control procedures have been implemented to ensure that intra-group items are identified and eliminated on consolidation. To guarantee the quality and integrity of the information, the consolidation tool is also configured to make the adjustments to eliminate investment-equity and intra-group operations, which are generated automatically in accordance with the validations defined in the system.

F.5 Supervision of system operations

Indicate the main characteristics of at least:

F.5

F.5.1. ICFR supervisory activities conducted by the Audit Committee and whether the entity has an internal audit department whose competencies include supporting the committee in its oversight of the internal control system, including ICFR. Also report on the scope of the assessment of ICFR in the year and the process by which the person responsible for conducting the evaluation reports the results, whether the entity has an action plan detailing any corrective measures, and whether the impact on financial reporting has been considered.

The Banco Cooperativo Español Group has an internal audit unit, which provides support to the Audit Committee in its monitoring of ICFR. An annual plan has been drawn up to this effect, which describes the activities and tests to be carried out, based on the reasonableness analysis of the process to identify the relevant activities/processes in preparing financial information.

Internal audit reports the results of its review and submits recommendations for improvement directly to the Audit Committee.

F.5.2. Whether a discussion process is in place whereby the auditor (in accordance with the provisions of the Technical Standards on Auditing), the internal audit department and other experts may inform senior management and the Audit Committee or directors of the entity of significant internal control weaknesses identified during the review of the annual accounts or any other processes assigned to them. State also whether the entity has an action plan to correct or mitigate the weaknesses detected.

Each year the auditor issues a report with recommendations and details of the internal control weaknesses detected during the review of the accounts to the Audit Committee. This report is passed on to the affected units/areas, which are responsible for proposing measures to improve the weaknesses observed.

The Audit Committee Rules state:

Article 5 Functions relating to the Audit of Accounts

The principal duties of the committee are:

1) *To advise and propose to the Bank's board of directors the appointment or replacement of the auditors of the Bank's accounts, for approval by the shareholders.*

2) *To monitor the independence of the auditors and compliance with contracting conditions.*

3) *To review the content of audit reports and serve as a channel for communication between the board of directors and the Bank's auditors.*

4) *To evaluate the results of each audit and supervise management team responses to the*

auditors' recommendations.

Article 20 Relationship with the Auditor

1) *The Committee shall propose the Auditor.*

2) *The Committee shall follow up on the recommendations proposed for the Auditor and may require their assistance when deemed necessary.*

F.6 Other relevant information

F.7 Auditor's report

Indicate:

F.6
F.7

F.7.1. Whether ICFR information reported to the market has been reviewed by the external auditor, in which case the entity should include the corresponding report as an Appendix. Otherwise, explain the reasons for the absence of this review.

Only the annual information at 31 December has been reviewed by the external auditor.

G. OTHER INFORMATION OF INTEREST

Briefly explain any significant aspect of corporate governance in the entity or group companies that is not contained in the other sections of this report, but which should be included to provide more complete and reasoned information on the structure and governance practices of the entity or its group.

This section may also include any other information, clarification or details related to previous sections of the report insofar as they are relevant and not repeated.

Specifically, indicate whether the entity is subject to legislation other than Spanish law in the area of corporate governance and, where applicable, include any required information that is not specified in this report.

The entity should also indicate any voluntarily adherence to other ethical principles or best practice codes at international, sector or another level. Where appropriate, the entity should identify the code in question and the date of adherence.

In March 2003 the Bank’s Board of Directors approved a Code of Good Governance, which incorporated the Olivencia Committee and Aldama Commission recommendations. In March 2007 the aforementioned Code was amended, bringing it into line with the Unified Code of Good Governance approved by the Spanish National Securities Market Commission.

This aim of this Code of Good Governance was to serve as a set of honourable and professional guidelines for the members of the Bank's Board of Directors, complementing the legal and statutory regulations that govern the directors’ activity, establishing standards for conduct and ethical principles to safeguard the interests of the Bank and its shareholders, customers and employees.

The Code aims to provide shareholders and stakeholders of the Bank with an overview of how the board members are expected to act with regard to:

- Specific principles for action
- The mission of the Board of Directors
- The principles and obligations that inspire board member actions
- Board member duties
- The relationship between the Board of Directors and the surrounding environment

The different sections of the Code of Good Governance regulate the following issues:

nciples of good governance

1. Strict separation between administration and management
2. Composition and appointment of board members. The board is currently comprised of 15 members.
3. Board committees.
   - The only two committees that have been incorporated in this respect are the Audit Committee and the Appointments and Remuneration Committee.
4. Frequency of board meetings. Generally on a monthly basis, except in August.

Functions inherent in the position of board member

Board members must carry out their roles with the diligence of an orderly businessperson and a loyal representative, as well as having the following obligations and duties:

1. Duty of diligence and the authority to report and examine
2. Confidentiality obligations
3. Ethical duties and standards for conduct
4. Obligations relating to non-competition and abstention and reporting in cases of conflict of interests
5. Obligation to refrain from using corporate assets or taking advantage of business opportunities

6. Incompatibilities

This annual corporate governance report was unanimously approved by the Entity's board of directors on 26 March 2014.

Indicate the directors or members of the governing body who voted against or abstained with respect to the approval of this report.

This report was unanimously approved.

APPROVAL BY THE BOARD OF DIRECTORS OF THE GROUP'S CONSOLIDATED ANNUAL ACCOUNTS FOR 2013
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 2013 of Banco Cooperativo Español, S.A and Subsidiaries, which were authorised for issue at the board of directors' meeting held on 26 March 2014 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 88 pages (pages 7 to 94) and two appendices (pages 95 to 103), as well as a consolidated directors' report of 18 pages (pages 104 to 121), and an appendix incorporating the corporate governance report of 40 pages (pages 122 to 161).

All pages have been initialled by the secretary and this page and the following page signed by the directors. Directors.

Madrid, 26 March 2014

Mr. José Luis García Palacios
- Chairman -

Mr. José Luis García-Lomas Hernández
- First Vice-chairman -

Mr. Pedro García Romera
- Second Vice-chairman -

Mr. José Antonio Alayeto Aguarón
- Director -

Mr. Ignacio Arrieta del Valle
- Director -

Mr. Nicanor Bascuñana Sánchez
- Director -

Mr. Fernando Bergé Royo
- Director -

Dr. Luis Esteban Chalmovsky
- 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 -