BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A., AND ITS SUBSIDIARIES (GRUPO COOPERATIVO CAJAMAR)

Independent Auditor´s report, consolidated annual accounts
and consolidated directors´report at 31 December 2016

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

INDEPENDENT AUDITOR´S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

Report on consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Banco de Crédito Social Cooperativo, S.A. and its subsidiaries (Grupo Cooperativo Cajamar), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, statement of changes in consolidated equity, consolidated cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company´s directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Banco de Crédito Social Cooperativo, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Banco de Crédito Social Cooperativo, S.A. and its subsidiaries as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2016 contains the explanations which the parent company´s directors consider appropriate regarding Banco de Crédito Social Cooperativo, S.A. and its subsidiaries´ situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2016. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Banco de Crédito Social Cooperativo, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed by)
Fco. Javier Astiz Fernández

17 March 2017

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
Y ENTIDADES DEL GRUPO CAJAMAR
(GRUPO COOPERATIVO CAJAMAR)

Consolidated Annual Accounts and Consolidates Director´s Report

(Year 2016)

GRUPO
COOPERATIVO
CAJAMAR

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
Consolidated balance sheet as at 31 December 2016 and 2015

Assets

	Notes	Thousand euro 2016	2015
Cash, cash balances at central banks and other sight deposits	**7.1**	**668,874**	**761,267**
Financial assets held for trading	**7.3**	**913**	**603**
Loans and prepayments		-	-
Debt securities		-	-
Equity instruments		-	1
Derivatives held for trading		913	602
Memorandum: loaned or delivered as a guarantee with a sale or pledge right		-	-
Financial assets designated at fair value through changes in profit or loss	**7.4**	**93,590**	**46,115**
Loans and prepayments		92,233	44,800
Debt securities		1,357	1,315
Equity instruments		-	-
Memorandum: loaned or delivered as a guarantee with a sale or pledge right		-	-
Available-for-sale financial assets	**7.5**	**4,172,156**	**504,144**
Debt securities		3,976,658	323,501
Equity instruments		195,498	180,643
Memorandum: loaned or delivered as a guarantee with a sale or pledge right		*1,919,175*	*37,895*
Loans and receivables	**7.6**	**29,810,807**	**30,440,253**
Loans and prepayments		29,772,777	30,389,640
Debt securities		38,030	50,613
Memorandum: loaned or delivered as a guarantee with a sale or pledge right		*12,519,513*	*11,855,683*
Investments held-to-maturity	**7.7**	**-**	**4,490,163**
Memorandum: loaned or delivered as a guarantee with a sale or pledge right		-	*2,115,714*
Derivatives - Hedge accounting	**8**	**10**	**19,840**
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	**-**	**-**	**-**
Investments in joint ventures and associates	**10**	**96,679**	**69,184**
Jointly controlled entities		-	-
Associates		96,679	69,184
Assets covered by insurance or reinsurance contracts		**-**	**-**
Tangible Assets	**11**	**984,014**	**948,898**
Property, plant and equipment		685,670	684,927
For own use		*683,184*	*680,791*
Assigned under operating lease		-	-
Linked to the Education and Promotion Fund		*2,486*	*4,136*
Investment property		298,344	263,970
Memorandum: Acquired under finance lease		-	**-**
Intangible assets	**12**	**249,058**	**279,863**
Goodwill		99,136	110,151
Other intangible assets		149,922	169,712
Tax assets	**14**	**1,068,533**	**1,005,605**
Current tax assets		8,571	30,234
Deferred tax assets		1,059,962	975,371
Other assets	**15**	**1,492,942**	**1,406,917**
Insurance contracts associated with pensions		**-**	**-**
Inventories		1,296,754	1,230,040
Other		196,188	176,877
Non-current assets and disposal groups of assets classified as held-for-sale	**9**	**528,506**	**488,586**
TOTAL ASSETS		**39,166,082**	**40,461,437**

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES FORMING GRUPO CAJAMAR
Consolidated balance sheet as at 31 December 2016 and 2015

Liabilities

	Notes	Thousand euro 2016	2015
Financial liabilities held for trading	**7.3**	**437**	**168**
Deposits		**-**	**-**
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Issued debt securities		-	-
Derivatives held for trading		437	168
Short securities positions		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through changes in profit or loss	**-**	**-**	**-**
Deposits		**-**	**-**
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Other financial liabilities		-	-
Memorandum: subordinated liabilities		-	-
Financial liabilities at amortised cost	**7.8**	**35,385,599**	**37,095,731**
Deposits		32,645,144	33,976,344
Central banks		*5,087,000*	*3,865,204*
Credit institutions		*757,410*	*975,247*
Customers		*26,800,734*	*29,135,892*
Issued debt securities		2,351,789	2,758,699
Other financial liabilities		388,666	360,689
Memorandum: subordinated liabilities		*100,773*	-
Derivatives - Hedge accounting	**8**	**647**	**1,359**
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge		**-**	**-**
Liabilities covered by insurance or reinsurance contracts	**-**	**-**	**-**
Provisions	**13**	**306,834**	**106,406**
Pensions and other post-employment defined benefit obligations		3,003	6,580
Other long-term employee compensation		6,499	10,012
Procedural matters and litigation regarding pending taxes		-	-
Commitments and guarantees granted		43,808	22,206
Other provisions		253,524	67,608
Tax liabilities	**14**	**147,227**	**109,415**
Current tax liabilities		55,023	20,425
Deferred tax liabilities		92,204	88,990
Refundable share capital	**-**	**-**	**-**
Other liabilities	**15**	**371,155**	**350,516**
Of which : community projects fund (only savings banks and credit co-operatives)	*16*	*7,808*	*9,448*
Liabilities included in disposal groups of assets classified as held-for-sale	**-**	**-**	**-**
TOTAL LIABILITIES		**36,211,898**	**37,663,595**

Equity

	Notes	2016	2015
		Thousand euro	
Equity	**17**	**2,932,912**	**2,793,036**
Share capital	**17**	**1,048,978**	**1,045,398**
Paid up capital		1,048,978	1,045,398
Called share capital not paid		-	-
Memorandum: uncalled share capital		-	-
Share premium account		**-**	**6,999**
Equity instruments issued, other than capital	**17**	**2,463,916**	**2,365,749**
Other equity items		**-**	**-**
Retained earnings	**17**	**266,709**	**243,827**
Revaluation reserves	**17**	**68,593**	**68,593**
Other reserves	**17**	**21,018**	**14,348**
Reserves or accumulated losses on investments in joint ventures and associates		*21,018*	*14,676*
Other		-	*(328)*
(–) Treasury shares	**17**	**(977,349)**	**(984,349)**
Profit attributable to parent company shareholders	**17**	**76,137**	**70,272**
(–) Interim dividends	**17**	**(35,090)**	**(37,801)**
Accumulated other comprehensive income		**20,727**	**4,265**
Items that will not be reclassified to profit or loss		**(3,381)**	**(3,967)**
Actuarial gains or (–) losses on defined benefit pension plans	***17***	*(3,381)*	*(3,967)*
Other measurement adjustments	**-**	-	-
Items that may be reclassified to profit or loss	**19**	**24,108**	**8,232**
Available-for-sale financial assets		19,732	4,523
Debt instruments		*5,893*	*(10,289)*
Equity instruments		*13,839*	*14,812*
Non-current assets and disposal groups of assets classified as held-for-sale		-	-
Share in other recognized income and expense on investments in joint ventures and associates		4,377	3,709
Non-controlling shareholdings	**20**	**544**	**541**
TOTAL EQUITY		**2,954,184**	**2,797,842**
TOTAL EQUITY AND LIABILITIES		**39,166,082**	**40,461,436**

Memorandum Accounts

		2016	2015
		Thousand euro	
MEMORANDUM			
Loan commitments granted	**21**	**2,540,438**	**2,321,729**
Financial guarantees granted	**21**	**233,601**	**238,378**
Other contingent risks granted	**21**	**382,569**	**395,009**
Other commitments granted	**21**	**109,324**	**106,551**
TOTAL MEMORANDUM ACCOUNTS		**3,265,932**	**3,061,668**

Consolidated Income Statements

Interest Income	**25**	**712,015**	**826,975**
Borrowing costs	**25**	**(154,317)**	**(262,262)**
Share capital expenses reimbursable on demand		**-**	**-**
A) INTEREST MARGIN		**557,698**	**564,713**
Income from dividends	**25**	**4,909**	**3,512**
Results in entities measured under the equity method	**25**	**15,767**	**17,248**
Commission income	**25**	**278,696**	**277,740**
Commission expenses	**25**	**(17,244)**	**(14,786)**
Profit or loss on derecognition in accounts of financial assets and liabilities not carried at fair value through profit or loss, net	**25**	139,014	65,130
Profit or loss on financial assets and liabilities held for trading, net	**25**	83	474
Profit or loss on financial assets and liabilities designated at fair value through profit or loss, net	**25**	47,184	39,906
Profit or loss resulting from hedge accounting, net	**25**	(131)	(31)
Exchange differences (net)	**-**	2,764	3,752
Other operating income	**25**	37,633	70,284
Other operating expenses	**25**	(53,005)	(77,707)
Of which: mandatory transfers to community project funds		*(1,949)*	*(1,393)*
B) GROSS MARGIN		**1,013,368**	**950,235**
Administrative expenses	**25**	**(554,455)**	**(546,509)**
Staff costs		*(350,625)*	*(357,093)*
Other administration expenses		*(203,830)*	*(189,416)*
Amortisation/depreciation	**25**	**(75,541)**	**(77,375)**
Provisions or reversal of provisions	**25**	**(239,539)**	**(6,133)**
Impairment or reversal of impairment of financial assets not valued at fair value through profit or loss	**25**	**22,253**	**(110,365)**
Financial assets carried at cost		-	-
Available-for-sale financial assets		*(16,728)*	*(8,860)*
Loans and receivables		*36,549*	*(99,077)*
Held-to-maturity investments:		*2,432*	*(2,429)*
C) INCOME FROM OPERATING ACTIVITIES		**166,086**	**209,853**
Impairment or reversal of impairment of investments in joint ventures or associates (net)	**-**	-	17
Impairment or reversal of impairment of non-financial assets (net)	**25**	**(86,898)**	**(120,320)**
Tangible assets		*1,693*	*(3,660)*
Intangible assets		*(11,015)*	*(12,239)*
Other		*(77,576)*	*(104,421)*
Profit or loss on derecognition in accounts non-financial assets and shareholdings, net	**25**	**6,630**	**(5,387)**
Of which: investments in subsidiaries, joint ventures and associates		*5*	*(137)*
Negative goodwill recognised in income statement		**-**	-
Profit or loss on non-current assets and disposal groups of assets classified as held for sale not qualifying as discontinued operations	**25**	**(23,809)**	**(26,737)**
D) PRE-TAX PROFIT OR LOSS FROM CONTINUING OPERATIONS		**62,008**	**57,425**
Income tax expense or income from continuing operations	-	14,132	12,793
D) AFTER-TAX PROFIT OR LOSS FROM CONTINUING OPERATIONS	**-**	**76,141**	**70,218**
After-tax profit or loss from discontinued operations		-	-
F) PROFIT OR LOSS FOR THE YEAR		**76,141**	**70,218**
Attributable to minority interests (non-controlling interests)	**25**	**4**	**(54)**
Attributable to the parent company's owners	**-**	**76,137**	**70,272**

Consolidated Statements of Recognized Income and Expenses

	Thousand euro	
	2016	**2015**
Profit for the year	**76,141**	**70,218**
Other comprehensive income	**16,462**	**(22,815)**
Items that will not be reclassified to profit or loss	**586**	**(4,026)**
Actuarial gains or (-) losses on defined benefit pension plans	759	(5,692)
Non-current assets and disposal groups classified as held for sale	-	-
Share in other recognized income and expense on investments in joint ventures and associates	-	-
Other measurement adjustments	-	-
Tax on gains relating to items that will not be reclassified	(173)	(1,665)
Items that may be reclassified to profit or loss	**15,876**	**(18,789)**
Hedge of net investments in foreign businesses [effective portion]	**-**	**-**
Gains or (-) losses recognised under equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Conversion of foreign currency	**-**	**-**
Gains or (-) on foreign currency exchange recognised under equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	-	-
Gains or (-) losses recognised under equity	**-**	**-**
Transferred to profit or loss	-	-
Transferred to the initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial assets	**20,285**	**(29,460)**
Gains or (-) losses recognised under equity	**153,815**	**32,517**
Transferred to profit or loss	**(133,530)**	**(61,978)**
Other reclassifications	-	-
Non-current assets and disposal groups classified as held for sale	**-**	**-**
Gains or (-) losses recognised under equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Share in other recognized income and expense on investments in joint ventures and associates	**891**	**(560)**
Tax on gains relating to items that may be reclassified to profit or loss	**(5,299)**	**11,231**
Total comprehensive income for the year	**92,603**	**47,402**
Attributable to non-controlling shareholdings	4	(54)
Attributable to parent company shareholders	92,599	47,457

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2016

Thousand euro

	Equity													
	Share capital	Share premium	Equity instruments issued, other than capital	Other equity items	Accumulated profits	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to parent company shareholders	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling shareholdings		Total equity
												Accumulated other comprehensive income	Other items	
Beginning balance at 01/01/2016 [before restatement]	**1,045,398**	**6,999**	**2,365,749**	**-**	**243,827**	**68,593**	**14,347**	**(984,349)**	**70,272**	**(37,801)**	**4,265**	**-**	**541**	**2,797,842**
Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of error corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance at 01/01/2016 [current period]	**1,045,398**	**6,999**	**2,365,749**	**-**	**243,827**	**68,593**	**14,347**	**(984,349)**	**70,272**	**(37,801)**	**4,265**	**-**	**541**	**2,797,842**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,137**	**-**	**16,462**	**-**	**4**	**92,603**
Other changes in equity	**3,580**	**(6,999)**	**98,167**	**-**	**22,882**	**-**	**6,671**	**6,999**	**(70,272)**	**20,294**	**-**	**-**	**(1)**	**63,740**
Issue of ordinary shares	3,580	-	-	-	-	-	-	-	-	-	-	-	-	3,580
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercising or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reduction	-	(6,999)	-	-	-	-	-	-	-	-	-	-	-	(6,999)
Dividends (or shareholder compensation)	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,583)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	-	-	25,799	-	6,671	-	(70,272)	37,801	-	-	-	-
Increase or (-) decrease in the equity resulting from business combinations	-	-	98,167	-	-	-	-	-	-	-	-	-	-	98,167
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	(2,917)	-	-	6,999	-	(17,507)	-	-	(1)	(13,425)
Balance at 31/12/2016	**1,048,978**	**-**	**2,463,916**	**-**	**266,709**	**68,593**	**21,018**	**(977,349)**	**76,137**	**(35,090)**	**20,727**	**-**	**544**	**2,954,184**

Consolidated Statement of Total Changes in Equity for the year ended 31 December 2015

Thousand euro

	Equity													
	Share capital	Share premium	Equity instruments issued, other than capital	Other equity items	Accumulated profits	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to parent company shareholders	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling shareholdings		Total equity
												Accumulated other comprehensive income	Other items	
Beginning balance at 01/01/2015 [before restatement]	**813,550**	**-**	**2,372,773**	**-**	**276,679**	**70,675**	**10,556**	**(790,900)**	**37,082**	**(57,360)**	**27,080**	**-**	**595**	**2,760,730**
Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of error corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning balance at 01/01/2015	**813,550**	**-**	**2,372,773**	**-**	**276,679**	**70,675**	**10,556**	**(790,900)**	**37,082**	**(57,360)**	**27,080**	**-**	**595**	**2,760,730**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**70,272**	**-**	**(22,815)**	**-**	**(54)**	**47,403**
Other changes in equity	**231,849**	**6,999**	**(7,024)**	**-**	**(32,852)**	**(2,081)**	**3,792**	**(193,449)**	**(37,082)**	**19,559**	**-**	**-**	**-**	**(10,291)**
Issue of ordinary shares	243,477	6,999	-	-	-	-	-	-	-	-	-	-	-	250,476
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercising or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder compensation)	-	-	-	-	-	-	-	-	-	(37,801)	-	-	-	(37,801)
Purchase of treasury shares	-	-	-	-	-	-	-	(193,449)	-	-	-	-	-	(193,449)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	-	-	(36,083)	-	4,121	-	(25,398)	57,360	-	-	-	-
Increase or (-) decrease in the equity resulting from business combinations	(11,628)	-	(7,024)	-	-	-	-	-	-	-	-	-	-	(18,653)
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	3,231	(2,081)	(329)	-	(11,684)	-	-	-	-	(10,865)
Balance at 31/12/2015	**1,045,398**	**6,999**	**2,365,749**	**-**	**243,827**	**68,593**	**14,347**	**(984,349)**	**70,272**	**(37,801)**	**4,265**	**-**	**541**	**2,797,842**

Consolidated Cash Flow Statements

	Thousand euro	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES	**(4,567,502)**	**4,971,125**
Profit/(loss) for the year	**76,141**	**70,218**
Adjustments made to obtain cash flows from operating activities	**339,461**	**261,862**
Amortisation/depreciation	75,541	77,375
Other adjustments	263,920	184,487
Net increase (+) / Decrease (-) in operating assets:	**(3,188,765)**	**67,088**
Financial assets held for trading	1	1
Financial assets designated at fair value through changes in profit or loss	(47,474)	58
Available-for-sale financial assets	(3,669,531)	343,363
Loans and receivables	618,130	(77,140)
Other operating assets	(89,891)	(199,194)
Net increase (+) / decrease (-) in operating liabilities:	**(1,796,290)**	**4,585,221**
Financial liabilities held-for-trading	-	-
Financial liabilities designated at fair value through changes in profit or loss	-	-
Financial liabilities at amortised cost	(1,774,033)	4,576,980
Other operating liabilities	(22,257)	8,241
Corporate income tax refunded (+) / paid (-)	**1,951**	**(13,264)**
CASH FLOWS FROM INVESTING ACTIVITIES	**4,343,741**	**(4,673,501)**
Payments (-):	**532,392**	**4,861,359**
Property, plant and equipment	514,532	255,563
Intangible assets	13,477	14,279
Investments in joint ventures and associates	4,383	-
Dependent entities and other business units	-	-
Non-current assets and liabilities classified as held-for-sale	-	116,747
Investments held-to-maturity	-	4,474,770
Other payments related to investment activities	-	-
Collections (+):	**4,876,133**	**187,858**
Property, plant and equipment	171,647	133,016
Intangible assets	9,041	-
Investments in joint ventures and associates	-	14,374
Dependent entities and other business units	-	-
Non-current assets and liabilities classified as held-for-sale	202,850	40,468
Investments held-to-maturity	4,492,595	-
Other collections related to investment activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**166,257**	**(120,018)**
Payments (-):	**35,090**	**158,393**
Dividends	35,090	37,801
Subordinated debt	-	120,592
Redemption of treasury shares	-	-
Acquisition of treasury shares	-	-
Other payments related to financing activities	-	-
Collections (+):	**201,347**	**38,375**
Subordinated debt	99,600	-
Issue of treasury shares	101,747	38,375
Disposal of treasury shares	-	-
Other collections related to financing activities	-	-
EFFECT OF FLUCTUATIONS IN EXCHANGE RATES	**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(57,504)**	**177,606**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**688,330**	**510,724**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**630,826**	**688,330**

MEMORANDUM	Thousand euro	
	2016	**2015**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash	254,058	295,268
Cash equivalent balances at central banks	376,768	393,062
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**630,826**	**688,330**

Contents

1. General Information

1.1. Nature of the entity

The parent entity of the Grupo Cooperativo Cajamar is Banco de Crédito Social Cooperativo, S.A. Grupo Cooperativo Cajamar has replaced and it is the continuation of the former Cajas Rurales Unidas Cooperative Group which was headed by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (The Spanish Central Bank Executive Committee agreed to consider the Group as a consolidable group of credit institutions and also classified the agreement between Banco de Crédito Social Cooperativo, S.A. and the rural savings banks involved as an Institutional Protection System (IPS).

Banco de Crédito Social Cooperativo, S.A. is a duly registered private bank governed by the regulations governing credit institutions and private banking. On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. Its registered office is in Paseo de la Castellana 87, 28046 Madrid.

Banco de Crédito Social Cooperativo, S.A. was incorporated by the 32 founding shareholders in 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco on 28 January 2014 under number 293 of his record, entered in the Madrid Mercantile Register in Volume 31,884, Folio 131, Page M-573805, Entry 1 on 10 February 2014. The shareholders that granted the deed were authorised by the Spanish Central Bank under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995 (repealed on 15 February 2015 by Royal Decree 84/2015 (13 February), which enables Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions).

As the parent of the new Group, the Bank undertook the management and oversight of the Group since the main part of the management structure and human resources of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, (CRU Sociedad Cooperativo de Crédito, before) were transferred to it. It is responsible for laying down the management instructions to be followed by the Group entities and for providing them with support. The Bank commenced operations on 1 July 2014, by virtue of the provisions of its Bylaws and Incorporation deed, after obtaining the requisite authorisation from the Spanish Central Bank's Executive Committee, under a resolution adopted at a meeting held on 6 June 2014. The Grupo Cooperativo Cajamar is classified as a Consolidable Group of Credit Institutions and Institutional Protection System.

Its prevailing Bylaws are the result of the execution in a public deed of corporate resolutions on 28 July 2016 before the notary public of Almería, Mr. Lazaro Gallego Salas, under number 978 of his record, which is duly registered in the Mercantile Registry of Almería, Volume 32,439, Book 0, Folio 162, Section 8, Page M-573805 entry 84, dated 16 August 2016.

The capital amount and current content of Article 5 of the Bylaws derive from the public document relating to the share capital increase and partial amendment of the bylaws executed on 1 December 2016 by the Madrid Notary Mr José Enrique Cachón Blanco under number 4003 of his protocol and entered into the Madrid Mercantile Registry on 19 December 2016 in Volume 35336, Book 0, Sheet 64, Section 8 Page M-573805 and Entry 104.

The Bank is essentially governed by Law 10/2014 on the Organisation, Supervision and Solvency of Credit Institutions (Official State Gazette 156 of 27 June 2014) and Royal Decree 84/2015, 13 February, on the creation of banks, cross-border activities and other matters relating to the legal regulation of credit institutions.

At present, the Bank's share capital amounts €1,048,978,391, fully subscribed and paid by its 61 shareholders.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, former parent entity, (referred as CRU, Sociedad Cooperativa de Crédito, before) is a cooperative by nature, which has the status and classification of a Credit Cooperative and focuses its preferential activity and attention on its shareholders. Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, constituted under the merger plan of the entities Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad, Cooperativa de Crédito, These entities were dissolved without liquidation and Caja Rurales Unidas, Sociedad Cooperativa de Crédito succeeded and assumed through universal succession all their rights and obligations, operations, contracts, customers and shareholders, through its actual formation, With respect to its Credit Institution status, it is entered in the Spanish Central Bank Special Register of Credit Cooperatives under code number 3058,

Cajamar Caja Rural, Sociedad Cooperativa de Crédito, an Entity making up Cajas Rurales Unidas, Sociedad Cooperativa de Crédito, was founded in 1963, under the name Caja Rural de Almería, Sociedad Cooperativa de Crédito through the foundational deed pursuant to the agreement of the founding entities, Cajamar Caja Rural, Sociedad Cooperativa de Crédito, was the entity resulting from the merger, performed in 2000, of Caja Rural de Almería, Sociedad Cooperativa de Crédito and Caja Rural de Málaga, Sociedad Cooperativa de Crédito which was absorbed by the former, Subsequently, Cajamar Caja Rural, Sociedad Cooperativa de Crédito carried out several merger processes, all these merger processes were carried out through the absorption of several rural saving banks by Cajamar Caja Rural, Sociedad Cooperativa de Crédito, and therefore entailed succession through universal title to all rights and obligations of the target entities that were dissolved,

Grupo Cooperativo Cajamar

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

In the event that the parent entity of the Group is not a cooperative society, the general commitments undertaken vis-à-vis the Group must be formalised in a notarised contract.

Similarly, Article 80,8 of European Parliament and Council Directive 2006/48/CE (14 June 2006) and the relevant transposition legislation in Spain, in particular Spanish Central Bank Circular 3/2008 (22 May), and subsequent amendments, regarding the calculation and control over minimum equity resources, establish the purposes, objectives and rules for the so-called "Institutional Protection Systems" ("Sistemas Institucionales de Protección"), hereinafter SIP, that Law 36/2007 (16 November) brought into Spanish legislation and Royal Decree 216/2008 (15 February) developed in terms of regulations, Based on these bodies of legislation, the Spanish Central Bank issued Circular 3/2008, and subsequent amendments, and Point Two and Fifteen stipulate the conditions under which the Spanish Central Bank would consider a SIP exists and would authorise the relevant conditions.

On the basis of the aforementioned regulations and considerations, the resolution to establish Grupo Cooperativo Cajamar was approved on 25 February 2014, Grupo Cooperativo Cajamar has been formed under the legal regime of “Cooperative Group” in order to strengthen the member entities and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity shared, The contractual agreements concluded among all the members of Grupo Cooperativo Cajamar state that the Group's parent entity is Banco de Crédito Social Cooperativo, S.A. and therefore its Board of Directors is the Group's maximum decision taking body, which entails the senior management and supervision of the Group's activities. The following powers are assigned to it on an exclusive basis: strategic management, external representation, internal coordination, issuance of equity instruments, establishment of risk policies and regulations, control and audit, cash management and coverage of the minimum capital ratio, approval of business plans, defining of commercial, pricing and distribution policies, geographical expansion policy, determination of technological and information platforms, personnel policy, determination of the remuneration framework for capital contributions by the savings banks to the Group and the determination of the distribution and application of profits.

The Regulating Contract stipulates the rights and obligations of the member entities and the competencies delegated to them in the parent entity, Banco de Crédito Social Cooperativo, S.A., waiving their own decision-taking powers in the Bank's favour to ensure the existence of a single decision-taking unit. As Banco de Crédito Social Cooperativo, S.A. oversees and manages the Group's policies, its instructions are mandatory for all participants companies in the Cooperative Group.

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

Similarly, the Agreement envisages a liquidity commitment and in the event of any insufficiency, they include a liquidity plan in order to return to normality.

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

In addition, Banco de Crédito Social Cooperativo, S.A., based on the Regulating Contract, is responsible for monitoring the solvency and liquidity of the Group and all the member entities, and for agreeing the assistance measures to be adopted in order to help any Member Entity that might undergo solvency difficulties. As a result, the Board of Directors of Banco de Crédito Social Cooperativo, S.A. will issue the instructions aimed at ensuring the solvency and liquidity of the Group and the member entities if this is required by the Spanish Central Bank under Article 26.7 of Royal Decree 216/2008 or the regulations that enable or replace the same.

The integrated entities in new Grupo Cooperativo Cajamar - as participants- as well as their incorporation date approved by their General Assemblies, and the date of authorization by the Spanish Central Bank Executive Committee are detailed as follows:

Entity	Meeting date	Bank of Spain authorisation date
Banco de Crédito Social Cooperativo, S,A	28/01/2014	06/06/2014
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caixa Rural Altea, Cooperativa de Credit Valenciana	27/11/2013	06/06/2014
Caja Rural San José de Burriana, Coop, de Crédito V,	28/11/2013	06/06/2014
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	28/11/2013	06/06/2014
Caixa Rural San José de Nules, S, Coop, de Crédito V,	28/11/2013	06/06/2014
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caja Rural de Alginet, S, Coop, de Crédito V,	28/11/2013	06/06/2014
Caja Rural San Jaime De Alquerías Niño Perdido, Coop, de Crédito V,	28/11/2013	06/06/2014
Caja Rural de Villar, Coop, de Crédito V,	28/11/2013	06/06/2014
Caixa Rural San Josep de Vilavella, S, Coop, de Crédito V,	28/11/2013	06/06/2014
Caja Rural San Roque de Almenara, S, Coop, de Crédito V,	28/11/2013	06/06/2014
Caja Rural La Junquera de Chilches, Coop, de Crédito V,	28/11/2013	06/06/2014
Caja Rural San Isidro de Vilafamés, Coop, de Crédito V,	28/11/2013	06/06/2014
Caja Rural Católico Agraria, Coop, de Crédito V,	28/11/2013	06/06/2014
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, S, Coop, de Crédit V,	28/11/2013	06/06/2014
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/11/2013	06/06/2014
Caixa Rural de Turís, Cooperativa de Crédito Valenciana,	28/11/2013	06/06/2014
Caixa Rural Albalat Dels Sorells, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014

The essential objectives of the Group are the following:

- Contribute towards meeting the financial needs of member entity shareholders having the legal form of credit cooperatives, with maximum effectiveness, efficiency and robustness, through improved management and use of centralised services, which enable reductions in processing costs and improve margins;

- Define, on a consistent basis, common strategic policies that will guide the actions of the member entities, without prejudice to each of their separate legal personalities;

- Act in the market as a reliable operator against other competitors and, with this objective: develop a common brand for the Group with respect to individual brand names; achieve a single rating which recognises the potential of the Group as a financial operator; and achieve a greater presence in the retail and wholesale markets, so that member entities may offer new, better and broader services to their shareholders and customers, and access financing channels;

- Protect the member entities' financial stability in order to guarantee their solvency and liquidity without this limiting the obligation that falls to each of them to maintain their own solvency and liquidity, and to comply with the regulations applicable to them;

- Bring together the representation of member entities before the regulatory and supervisory bodies and represent and defend, on a coordinated basis, their common interests in any field.

- Establish and coordinate a common internal system of monitoring, audit and control, and diversify the risks inherent in the business of member entities;

- Offer member entities' employees a framework for secure, broad and appropriate professional development, based on selection and promotion by merit, by means of comprehensive training aimed at establishing their professional careers.

The Group is governed by principles of solidarity, cooperation and subsidiarity.

Only legally recognised credit cooperatives can be member entities of the Grupo Cooperativo Cajamar that have been duly formed in accordance with applicable legislation had which have received all legally requisite authorisations, and which assume the commitments set out in the Group Regulating Contract with respect to both the Group and the other member entities. Group member entities may not transfer their position in the Group to any third part, nor the rights and obligations of any nature arising from such membership.

Duration of the Grupo Cooperativo Cajamar and rules governing separation from the Group

The Group was created with the aim of being a stable credit cooperative organisation. In this respect, the duration of the Group is unlimited although a mandatory minimum period of ten consecutive years is laid down for member entities as from the date of incorporation of each member entity into the Cooperative Group and its associated institutional protection system regulated by the Group Regulating Contract.

After this minimum membership period has elapsed, voluntary exit from the Group may be requested with prior notice of at least two years, provided prior authorisation is obtained from the supervisory authorities. As an exception the member entity Cajamar Caja Rural, Sociedad Cooperativa de Crédito assumes the indefinite character of the Cooperative Group and undertakes not to request its voluntary separation from the Group or to exercise the right of separation at any time without first obtaining the prior express authorisation of the parent entity.

During the transitional period between the notification of exit and the actual separation, the Member Entity concerned shall forfeit all its voting rights as a Member of the Group and the voting and dividend rights arising from its equity interest in the Bank, while maintaining its obligations to contribute its own resources to the Group as a continuation of its solvency commitments.

If so decided by the parent entity, the entity shall sell and transfer the shares it owns to the parent entity or other member entities (as decided by the parent entity), free of all charges and encumbrances and with all related voting and dividend rights at a price equal to the lower of (i) the fair value of the shares at the time of transfer and (ii) the acquisition value of the shares.

Each of the member entities recognises that it does not hold any rights, if it exits the Group, to the assets or liabilities that might figure on the balance sheet of the parent entity or to the Bank's business.

Voluntary separation from the Group is penalised by way of damages in an amount equivalent to 2% of the total average assets of the entity requesting separation. Additionally, the voluntary separation of a member entity must also be authorised by the Spanish Central Bank.

Any amendment of certain aspects of the Contract will result in the right of the Group member entities to apply for separation provided this is authorised by the Spanish Central Bank, with the same effects as described above for voluntary separation. The right of separation may only be exercised on an absolutely extraordinary and exceptional basis. Specifically, it may request in the event of an amendment to the contract which the entity in question had voted against, and which necessarily consists of one of the following circumstances:

- A significant increase in the powers delegated by member entities to the parent entity, provided that this does not result from a regulatory change or is not supported by at least half of the Group member entities other than the parent entity;

- A unilateral reduction by the parent entity of over half the maximum credit risk limits initially established in the manuals referred to in the Regulating Contract, provided that such reduction does not result from: compliance with mandatory regulations or from a requirement or recommendation by the Spanish Central Bank; disciplinary measures; or is not supported by at least half of the member entities other than the parent entity.

The forced departure of member entities shall occur when they cease to meet the requirements for Group membership or a very serious breach of the obligations undertaken by a member entity occurs; this is subject to the approval of the parent entity's Board of Directors. In this event they will be required to sell and transfer their shares in the parent entity for an overall price of 1 euro and will bear an additional penalty for damages equivalent to 5% of their average total assets, whatever the grounds from their expulsion from the Group.

Membership of Grupo Cooperativo Cajamar, holding and transfer of shares

Admission of a credit cooperative as a new Group member must be preceded by an application approved by its governing bodies, and will involve a necessary acquisition of parent company share capital either by taking up shares in a capital increase or by purchasing shares from one of its shareholders.

Member entities are required at all times to maintain full ownership of their shares in the parent entity and any preferential subscription rights they may hold, free of charges and encumbrances and with all relevant dividend and voting rights.

Member entities may only transfer shares in the parent entity to other member entities and third parties with the prior permission of the parent entity.

Powers delegated by member entities to the Group parent entity

Member entities have delegated the following functions and competencies to the parent entity:

- Strategic Group management:
- Budgeting of the Group and member entities;
- Issuance of instruments qualifying as equity, except contributions to the capital of cooperative members by member entities. However, Cajamar Caja Rural, Sociedad Cooperativa de Crédito, has delegated authorisation for the reimbursement of capital contributions that are requested in order to safeguard the Group's solvency to the parent entity.
- Policies, procedures and risk controls;
- Cash management;
- Business plan;
- Geographical expansion and determining the size of the network;
- Internal control and audit;
- Personnel policy, including all aspects of remuneration policy, both fixed and variable, and, if appropriate, the possible existence of senior management contracts, the terms of their termination and pension or similar commitments;
- Technology and information platforms;
- Determining the remuneration framework for capital contributions;
- Determining the distribution or application of profits.

The parent entity must lay down guidelines and, where appropriate, issue mandatory instructions in the above areas.

Grupo Cooperativo Cajamar parent entity

The parent entity will exercise all the powers delegated to the Group and issue mandatory instructions to all member entities.

The parent entity is responsible for drawing up the consolidated accounts for all Group member entities in accordance with Law 13/1985 on investment ratios, equity and reporting requirements for financial intermediaries, and EU Regulation 575/2013 on prudential requirements for credit institutions. The parent entity also represents the Group before the relevant authorities.

The parent entity is responsible for the following:

- Drawing up and signing the consolidated annual accounts and directors' report of the Group as well as preparing the individual accounts for each member entity, without prejudice to their having been prepared and approved by the competent governing bodies of each member entity;

- Filing the consolidated annual accounts and directors' report, and the auditor's report, with the relevant registries;

- Preparing the Group's “Report on information which is relevant for prudential purposes" in compliance with the reporting requirements of Spanish Central Bank Circular 3/2008 or any report which might replace it in the future and any other reports that might be required under the relevant legislation, notwithstanding that, where appropriate, said report must be approved by the governing bodies of each member entity;

- Preparing the Capital Self-Assessment Report for the Group;

- Appointing the auditors of the consolidated annual accounts;

- Assuming the duties arising from relations with supervisors, such as preparing and submitting documentation and information relating to the Group or its member entities, meeting the requirements and facilitating the inspection activities by the supervisor, and others requirements envisaged in applicable legislation;

- Representing the Group and each of its member entities before the single European supervisor, the Spanish Central Bank and the National Securities Market Commission, other supervisory authorities, administrative authorities and any other related entities such as auditors or credit rating agencies;

- Defining the remuneration policy for company directors, senior managers and staff, applicable in the member entities as a whole, as provided in applicable regulations and best corporate governance practices;

- Establishing common rules on expense authorization for all Group entities and monitoring compliance;

- Issuing a prior report on the appointment or dismissal of the general manager of a Group member entity. If the report is unfavorable to the appointment, it must also be binding;

- Ensuring the implementation, fulfilment and continuous improvement of corporate governance standards in the Group in line with best practices;

- Performing all the powers delegated by the member entities.

The parent entity is responsible for monitoring the solvency and liquidity of the Group and each of the member entities; it must also act, at all times, under the principles of independence, impartiality, professionalism and technical rigor, and it is subject to a duty of confidentiality with the exception of the obligation to report to the supervisory authorities.

Finally, the parent entity, by delegation of the other member entities, is the ultimate decision making body, above the governing bodies of the various entities with respect to the following matters:

- Dissolution of a Group member entity.
- Merger, demerger and transformation of a Group member entity.
- While both these decisions are the responsibility of each entity's Assembly, they may not be implemented without the prior, unconditional authorisation of the parent entity's Board of Directors.
- Remuneration framework for contributions and distribution of the member entities' profits.
- In addition, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has delegated authorisation for the reimbursement of capital contributions that are requested in order to safeguard the Group's solvency to the parent entity.

Mutualisation of results (P&L Pooling)

The mutualisation of results consists of the obligation of reciprocal financial assistance in the form a solvency and liquidity guarantee between the members of the group, in accordance with the provisions of Articles 80.8 of EC Directive 48/2006 and 26.7 of Royal Decree 216/2008, Rule 15 of Spanish Central Bank Circular 3/2008 and through the reference to and by remission to Law 10/2014 (26 June) on the Organization, Supervision and Solvency of Credit Institutions (Official State Gazette 156 of 27 June 2014).

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

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

The amounts derived from the mutualisation are recorded on the income statement under “Other operating income - Other recurring items”. In the event of losses, they are recognized under “Other operating expenses - other items”.

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

The Group entities recognize their results on a mutual basis in proportion to their shareholding based on the percentages calculated in accordance with the interest held in the Group’s equity. The calculation of the interest of each entity in the Group with respect to its total equity is done based on the following definitions:

- Gross profit/ (loss): Pre-tax profit made in the financial year or calculation period by each member entity as reflected in their individual financial statements, excluding (i) amounts recognised due to previous pooling within the same calculation period, (ii) dividends or any other kind of payment due to equity interests in any other Group entity and (iii) impairment losses on holdings in the share capital of Group entities.
- Member entity's equity: Amount reflected under equity on the published financial statements of each entity less the book value of equity interests held in any other member entity.

- Group equity: Sum of equity of all Group entities, as defined above.

The pooling rate applicable to each entity is calculated annually following the end of the financial year and is effective and applicable during the following year.

This calculation period may be shortened in the event that, within a financial year, the following takes place:

- A variation in the Group's equity due to:
    - The incorporation or separation of a member entity.
    - A business combination between a member entity and a non-member entity.
    - An increase or reduction in the parent's share capital, unless the same is carried out against other equity items.
- A change in the ownership structure of the parent entity that affects at least one member entity.

The calculation period will not be reduced due simply to the merger of two or more member entities, because the entity resulting from the merger will automatically, as from the effective date of the merger for accounting purposes, be allocated the rate resulting from the sum of the rates pertaining to the merged entities.

If any of the events leading to the reduction in the frequency of calculation take place, the parent entity will recalculate the pooling rates in accordance with the above indications. These rates are effective from the day on which these transactions are effective for accounting purposes until the end of the year or date on which one of these events occurs again.

In order to ensure maximum internal fairness, the parent entity determines the gross profit generated in the month in which the change occurs, which will be apportioned equally over each day of that month, in order to determine the amount to be distributed in each of the calculation periods.

Appendix I to these consolidated annual accounts shows the percentage interest of each participating entity in the above periods. At 31 December 2016, the pooling rate of the parent entity is 35.64%, (35.74% at 31 December 2015).

Group solvency and liquidity

The Group guarantees the solvency and liquidity of the member entities in the terms set out in the Regulating Contract. To achieve this, the member entities provide each other with mutual guarantees.

The mutual guarantees imply that the Group must meet, if necessary, the member entities' payment obligations towards non-subordinated creditors.

Liability for payment obligations with third parties and financing obligations assumed by each Group entity is joint and several in nature, without prejudice to the right of recourse of the member entities that meet such obligations against the other entities in proportion to each of their regulatory minimum equity in the last financial year.

The parent entity is responsible for monitoring the solvency and liquidity of the Group and each member entity.

Member entities must comply with the binding instructions issued by the parent entity in accordance with the powers delegated to it under the Regulating Contract, in order to safeguard the solvency and liquidity of all member entities.

The Group member entities understand that the mutual guarantee referred to above is a last resort, the enforcement of which should be avoided, since it will only be required when a member entity is involved in a bankruptcy or liquidation process. In order to prevent a member entity finding itself in such a situation, the parent entity's executive bodies, at the request of the member entity concerned or at its own initiative, will determine the utilisation of resources to assist the member entity that might be undergoing difficulties.

The Group may agree to support a member entity in difficulty using any of the following resources:

- Acquisition of assets;
- Contributions to share capital and subscription of shares;
- Subscription and payment of bonds, equivalent securities or subordinated debt treated as equity;
- Liquidity loans;
- Guarantees against third parties;
- Any others that are feasible and consistent with the difficulties they seek to resolve.

In cases in which the parent entity has authorised assistance without the beneficiary entity having requested assistance, the latter shall be required to give its full cooperation, adopting, where appropriate, the corporate resolutions that may prove necessary to implement the assistance.

When the parent entity has resolved to help a member entity in difficulty, the other member entities should help to facilitate the assistance, in accordance with their obligations under the contract. However, if any of the member entities that have to provide assistance is in such a situation that the provision of such assistance could jeopardise its own solvency or reduce its liquidity to unadvisable levels, it may be exempted temporarily or permanently for providing said assistance. This exemption may be reasonably requested by a member entity or appreciated directly by the parent. Notwithstanding the foregoing, the parent entity may not exempt any member entity when others could find themselves in the same difficulties in the event that they assume the part that pertains to the entity seeking exemption.

In the event that a member entity is exempted from its commitment to contribute, the parent entity will prepare a capitalisation plan for it, which it will be required to comply with.

The support that might be provided by Group member entities to any other entity will be guaranteed, in any event, by the complete equity of the receiving entity.

When approving the assistance, the parent entity will determine any limitations to be applied to the application of the profits of the member entity that has received assistance in order to ensure the fastest possible resolution of the situation of the entity concerned. These limitations may be maintained while the provision of the assistance remains in effect.

When the parent entity has agreed to provide assistance by means of the arrangements described above, member entities' participation in the assistance they grant will be in proportion to their equity and solvency.

Solvency commitment

The member entities make up a consolidable group of credit institutions with direct, reciprocal unconditional commitments to provide financial assistance in order to avoid insolvency situations and to evaluate their capital needs on a common basis.

The parent entity must monitor each member entity's compliance with legal minimum capital requirements and the solvency commitments provided for in this contract, both when they join the Group and at any other time. These commitments will comply with those stipulated by prevailing legislation, at the least.

The parent entity is responsible for the Group's capital planning.

Member entities must have a sufficient level of eligible equity to cover the minimum solvency requirements laid down by the Group.

When a Group entity needs to implement a recapitalization plan it may propose, providing the necessary explanations, that the plan should be arranged through the issuance of equity instruments, through the partial assignment of assets necessarily to one or more Group member entities, or a combination of both these measures. The recapitalization plan must be approved by the parent entity.

Liquidity commitment

The parent entity must monitor each member entity's compliance with the liquidity commitments provide for in this contract, both when they join the Group and at any other time.

Liquidity commitments are the following:

- Maintaining the liquidity ratio established for the Group;
- Financial assistance in cases of illiquidity.

Group member entities undertake to maintain an adequate financial structure in their balance sheets and sufficient liquidity for the proper running of the business. The Group is committed, if necessary, to providing liquidity to any of its member entities in order to avoid their insolvency.

The Group member entities may not obtain short-term wholesale funding outside the Group, unless expressly authorised by the parent entity.

The Liquidity Plan may include one or more of the following measures:

- Sale of assets;

- Special measures to adapt funding and investment positions, in order to reduce net exposure;

- Obtaining wholesale financing;

- Any others that contribute to the objective in question.

Cooperative Group's immediately available financial resources,

In order to provide the Group with the necessary agility to ensure the solvency and liquidity of the entities that make it up, the member entities authorise the parent entity to utilise the funds deposited with it to assist any member entity when the conditions established in this contract for their potential use are met and subject to the limitations specified therein.

Maximum to be contributed by each member entity,

The maximum amount which each member entity commits to in order to provide financial assistance to guarantee the solvency of other group entities stands at 100% of their eligible equity. All the financial assistance instruments envisaged may be implemented when appropriate without prejudice to the aid which is provided for at any time in applicable Spanish and EU legislation.

The individual balance sheets, the individual income statements, individual statements of recognised revenues and expenses, individual statements of changes in equity and the individual cash flow statements for Banco de Crédito Social Cooperativo, S.A. for the year ended 31 December 2015 and 2015, and Cajamar Caja Rural, Sociedad Cooperativa de Crédito for the years ended 31 December 2016 and 2015, prepared in accordance with the accounting standards and policies and valuation standards established by Spanish Central Bank Circular 4/2004 and subsequent amendments published in Spanish Central Bank Circular (Note 2.5).

a) Individual balance sheets from Banco de Crédito Social Cooperativo, S.A.:

	Thousand euro	
	BCSC	
	2016	2015
Cash, cash balances at central banks and other sight deposits	5,936,676	2,685,771
Financial assets held for trading	-	-
Financial assets designated at fair value through changes in profit or loss	-	-
Available-for-sale financial assets	3,964,241	147,439
Loans and receivables	2,545,470	1,968,062
Investments held-to-maturity	-	4,479,843
Derivatives - hedge accounting	-	-
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	-	-
Investments in subsidiaries, joint ventures and associates	69,771	50,173
Property, plant and equipment	5,675	9,891
Intangible assets	70,260	70,917
Tax assets	26,822	16,063
Other assets	4,246	172
Non-current assets and disposal groups of assets classified as held-for-sale	-	-
TOTAL ASSETS	**12,623,161**	**9,428,331**
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through changes in profit or loss	-	-
Financial liabilities at amortised cost	11,512,360	8,366,355
Derivatives - hedge accounting	-	-
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	-	-
Provisions	28,022	5,154
Tax liabilities	3,462	4,844
Refundable share capital	-	-
Other liabilities	27,628	11,714
Of which : community projects fund (only savings banks and credit co-operatives)	-	-
Liabilities included in disposal groups of assets classified as held-for-sale	-	-
TOTAL LIABILITIES	**11,571,472**	**8,388,067**
Capital and reserves	1,060,867	1,046,234
Share capital	1,048,978	1,045,398
Share premium	-	6,999
Equity instruments issued, other than capital	-	-
Other equity items	-	-
Accumulated other comprehensive income	(9,178)	(5,970)
Retained earnings	836	(27,191)
Revaluation reserves	-	-
Other reserves	-	(328)
Profit/(loss) for the year	20,984	21,356
(–) Interim dividends	(9,931)	-
TOTAL EQUITY	**1,051,689**	**1,040,264**
TOTAL EQUITY AND LIABILITIES	**12,623,161**	**9,428,331**
MEMORANDUM		
Loan commitments granted	6,767	1
Financial guarantees granted	3,400	-
Other contingent risks granted	-	-
Other commitments granted	4,124	240
TOTAL MEMORANDUM ACCOUNTS	**14,291**	**241**

b) Individual income statements from Banco de Crédito Social Cooperativo, S.A.:

	Thousand euro BCSC 2016	Thousand euro BCSC 2015
Interest income	52,433	50,415
Interest expense	(16,019)	(12,846)
Refundable share capital expense	-	-
A) INTEREST MARGIN	**36,414**	**37,569**
Dividend income	19,657	13,052
Fee income	3,289	66
Fee expense	(3,977)	(1,474)
Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through changes in profit or loss,	123,161	6,809
Net gains or losses on financial assets and liabilities held for trading	-	(174)
Net gains or losses on financial assets and liabilities designated at fair value through changes in profit or loss	-	-
Net gains or losses resulting from hedge accounting	-	-
Exchange differences (net)	(7)	(1)
Other operating income	144,533	135,212
Other operating expense	(81,024)	(20,131)
Of which: mandatory appropriations to the community projects fund	-	-
B) GROSS MARGIN	**242,046**	**170,928**
Administration expenses	(122,914)	(110,440)
Amortisation/depreciation	(20,515)	(20,854)
Provisions or reversal of provisions (net)	(25,214)	(579)
Impairment or reversal of impairment of financial assets not measured at fair value through changes in profit or loss (net)	(56,254)	(14,126)
C) RESULTS FROM OPERATING ACTIVITIES	**17,149**	**24,929**
Impairment, or reversal of impairment, of investments in joint ventures or associates (net)	(4,265)	-
Impairment, or reversal of impairment, of non-financial assets (net)	-	-
Net gains or losses on the disposal of non-financial asset accounts and shareholdings	9,032	-
Negative goodwill recognised in the income statement	-	-
Gains or losses on non-current assets and disposal groups of assets classified as held for sale not admissible as discontinued operations	-	-
D) GAINS OR LOSSES BEFORE TAXES ON CONTINUING OPERATIONS	**21,916**	**24,929**
Income tax expense or income on gains on continuing operations	(932)	(3,573)
E) GAINS OR LOSSES AFTER TAXES ON CONTINUING OPERATIONS	**20,984**	**21,356**
Gains or losses after taxes on discontinued operations	-	-
F) PROFIT OR LOSS FOR THE YEAR	**20,984**	**21,356**

c) Individual statements of recognized income and expenses from Banco de Crédito Social Cooperativo, S.A.:

	Thousand euro BCSC 2016	Thousand euro BCSC 2015
Profit/(loss) for the year	**20,984**	**21,356**
Other comprehensive income	**(3,208)**	**(5,970)**
Items that will not be reclassified to profit or loss	(354)	(3,225)
Actuarial gains or losses on defined benefit pension plans	(506)	(4,607)
Non-current assets and disposal groups classified as held for sale	-	-
Tax on gains relating to items that will not be reclassified	152	1,382
Items that may be reclassified to profit or loss	(2,854)	(2,745)
Available-for-sale financial assets	(4,078)	(3,921)
Gains or losses recognised under equity	115,777	2,888
Transferred to profit or loss	(119,855)	(6,809)
Other reclassifications	-	-
Cash flow hedges (effective portion)	-	-
Hedge of net investments in foreign businesses (effective portion)	-	-
Conversion of foreign currency	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Tax on gains relating to items that may be reclassified to profit or loss	1,224	1,176
Total comprehensive income for the year	**17,776**	**15,386**

d) Individual statements of changes in equity from Banco de Crédito Social Cooperativo, S.A.:

Thousand euro

	Equity											
	Capital/Endowment fund	Share premium	Equity instruments issued, other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit/(loss) for the year	(-) Interim dividends	Accumulated other comprehensive income	Total equity
Beginning balance at 01/01/2016 [before restatement]	**1,045,398**	**6,999**	**-**	**-**	**(27,191)**	**-**	**(328)**	**-**	**21,356**	**-**	**(5,970)**	**1,040,264**
Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Effects of error corrections	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance at 01/01/2016 [current period]	**1,045,398**	**6,999**	**-**	**-**	**(27,191)**	**-**	**(328)**	**-**	**21,356**	**-**	**(5,970)**	**1,040,264**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,984**	**-**	**(3,208)**	**17,776**
Other changes in equity	**3,580**	**(6,999)**	**-**	**-**	**28,027**	**-**	**328**	**-**	**(21,356)**	**(9,931)**	**-**	**(6,351)**
Issue of ordinary shares	3,580	-	-	-	-	-	-	-	-	-	-	3,580
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercising or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reduction	-	(6,999)	-	-	-	-	-	-	-	-	-	(6,999)
Dividends (or shareholder compensation)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	-	-	21,028	-	328	-	(21,356)	-	-	-
Increase or (-) decrease in the equity resulting from business combi	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	6,999	-	-	-	-	(9,931)	-	(2,932)
Discretional appropriation to community project funds (only Savings Banks and Credit Cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31/12/2016	**1,048,978**	**-**	**-**	**-**	**836**	**-**	**-**	**-**	**20,984**	**(9,931)**	**(9,178)**	**1,051,689**

Thousand euro

	Equity											
	Capital/Endowment fund	Share premium	Equity instruments issued, other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit/(loss) for the year	(-) Interim dividends	Accumulated other comprehensive income	Total equity
Beginning balance at 01/01/2015 [before restatement]	**813,550**	**-**	**-**	**-**	**(239)**	**-**	**-**	**-**	**(27,191)**	**-**	**-**	**786,120**
Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Effects of error corrections	-	-	-	-	-	-	-	-	-	-	-	-
Beginning balance at 01/01/2015	**813,550**	**-**	**-**	**-**	**(239)**	**-**	**-**	**-**	**(27,191)**	**-**	**-**	**786,120**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,356**	**-**	**(5,970)**	**15,386**
Other changes in equity	**231,848**	**6,999**	**-**	**-**	**(26,952)**	**-**	**(328)**	**-**	**27,191**	**-**	**-**	**238,758**
Issue of ordinary shares	231,848	6,999	-	-	-	-	-	-	-	-	-	238,847
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercising or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Share capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder compensation)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	-	-	(26,952)	-	(239)	-	27,191	-	-	-
Increase or (-) decrease in the equity resulting from business combi	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-	(89)	-	-	-	-	(89)
Discretional appropriation to community project funds (only Savings Banks and Credit Cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31/12/2015	**1,045,398**	**6,999**	**-**	**-**	**(27,191)**	**-**	**(328)**	**-**	**21,356**	**-**	**(5,970)**	**1,040,264**

e) Individual cash-flow statements from Banco de Crédito Social Cooperativo, S.A.:

	Thousand euro BCSC	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES	**32,910**	**4,328,015**
Profit/(loss) for the year	**20,984**	**21,356**
Adjustments made to obtain cash flows from operating activities	**110,094**	**54,092**
Amortisation/depreciation	20,515	20,854
Other adjustments	89,579	33,238
Net increase (+) / Decrease (-) in operating assets:	**3,134,530**	**2,946,095**
Financial assets held for trading	-	-
Financial assets designated at fair value through changes in profit or loss	-	-
Available-for-sale financial assets	(661,413)	161,856
Loans and receivables	3,792,808	2,781,804
Other operating assets	3,135	2,435
Net increase (+) / decrease (-) in operating liabilities:	**3,050,015**	**7,201,172**
Trading portfolio	-	-
Other financial liabilities at fair value with changes in the income statement	-	-
Financial liabilities at amortised cost	3,048,467	7,197,024
Other operating liabilities	1,548	4,148
Corporate income tax refunded (+) / paid (-)	**(13,653)**	**(2,510)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(30,473)**	**(4,550,358)**
Payments (-):	**39,505**	**4,550,358**
Property, plant and equipment	2,098	3,652
Intangible assets	13,544	14,258
Shares	23,863	50,173
Other business units	-	-
Non-current assets and liabilities classified as held-for-sale	-	-
Investments held-to-maturity	-	4,482,275
Other payments related to investment activities	-	-
Collections (+):	**9,032**	**-**
Property, plant and equipment	-	-
Intangible assets	9,032	-
Shares	-	-
Other business units	-	-
Non-current assets and liabilities classified as held-for-sale	-	-
Investments held-to-maturity	-	-
Other collections related to investment activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**93,249**	**238,847**
Payments (-):	**9,931**	**-**
Dividends	9,931	-
Subordinated debt	-	-
Redemption of treasury shares	-	-
Acquisition of treasury shares	-	-
Other payments related to financing activities	-	-
Collections (+):	**103,180**	**238,847**
Subordinated debt	99,600	-
Issue of treasury shares	3,580	238,847
Disposal of treasury shares	-	-
Other collections related to financing activities	-	-
EFFECT OF FLUCTUATIONS IN EXCHANGE RATES	**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**95,686**	**16,504**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**16,510**	**6**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**112,196**	**16,510**

MEMORANDUM	Thousand euro	
	2016	**2015**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash	74,869	-
Cash equivalent balances at central banks	37,327	16,510
Other financial assets	-	-
Less: Bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**112,196**	**16,510**

1.2. Corporate purpose

The Group's corporate objects are to engage in all kinds of activities, operations and services in the banking business in general, which are in accordance with applicable law, including the provision of investment services and ancillary services, in the terms laid down in Securities Market regulations. Its objects include the following activities:

- Carry out operations of all kinds related to securities and documentary credit, notwithstanding the provisions of legislation governing securities markets and collective investment.

- Carry out credit and surety operations, for both lending and funding purposes, of any class, on its own behalf or for third parties.

- Acquire or transfer for its own account or on commission, shares, bonds and other public or private, national or foreign titles, banknotes and coins of all countries and make public offerings for the acquisition and sale of securities.

- Receive and place on deposit or in administration, cash, securities and all kinds of shares. The Bank shall not be deemed to be authorised to dispose of the deposits over which it has custody in any manner.

- Carry out all kinds of operations with current accounts, term deposits or any other kind of account.

- Accept and grant administrations, representations, delegations, commissions, agencies or other actions in the interests of those who use the Bank's services.

- All other activities that private banks are allowed to engage in under applicable legislation.

The activities that make up its objects may be performed wholly or partly indirectly, in any form permitted by law and, in particular, through the ownership of shares or interests in companies whose objects are identical or analogous, accessory or complementary to such activities.

When administrative authorisation or public registration is required for the provision of investment services and ancillary services, such activities may not commence until all administrative requirements have been fulfilled under applicable regulations.

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

1.3. Registered office

The registered office of the parent entity of the Cooperative Group is located in Paseo de la Castellana 87, 28046 Madrid, Spain, and it may establish branches, agencies and representative offices anywhere in Spanish territory and abroad, in accordance with applicable legislation.

The parent entity has various work and operating centres although at present there are no offices open to the public or its clientele in general. It carries on its activities within the framework of the Grupo Cooperativo Cajamar, of which it is the parent. However, the rest of the entities belonging to the Group operate a network of branches across the country, as explained in Appendix II to these consolidated annual accounts.

1.4. Legal matters

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

- Maintaining a minimum percentage of resources on deposit at the national central bank of a country participating in monetary union (euro) to cover the minimum reserve ratio, which was established at 1% of qualifying liabilities at 31 December 2014. (Note 7.1).

- For the parent entity, dividend payments and shareholder remuneration in general are subject to the legislation governing credit institutions having the status of Private Banks.

- For the Credit Cooperatives, distribution of at least 20% of the available surplus obtained during the year to the Mandatory Reserve Fund that serves the purpose of consolidating and guaranteeing the Cooperative Group and 10% to the Education and Promotion Fund (see Note 3.13).

- Keeping a minimum level of capital and reserves (Notes 3.15 and 18).

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

- Contribution to the National Resolution Fund and Single Resolution Fund (Note 3.28).

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

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

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

- Law 10/2014 (26 June) on the organisation, supervision and solvency of credit instituions (Official State Gazette No 156, 27 June 2014).

- Royal Decree 1245/1995, of 14 July, about the creation of Banks, cross-border activity and other issues relating to the legal regime of credit institutions.

- Spanish Central Bank Circular 4/2004 (22 December), and subsequent amendments, regarding Public and Reserved Financial Information, the preamble to which indicates that the content of the International Financial Reporting Standards adopted by the European Union has been respected.

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

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

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

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

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

- Spanish Central Bank Circular 3/2014, of 30 July, to credit institutions and authorised appraisal companies and services, whereby measures were established to promote the independence of valuation activities by amending Circulars 7/2010, 3/1998 and 4/2004, and regulatory options were exercised in relation to the deduction of intangible assets through the amendment of Circular 2/2014.

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

- Spanish Central Bank Circular 5/2014, of 28 November, amending Circular 4/2004, of 22 December, to credit institutions on public and confidential reporting requirements and financial statement templates.

- Royal Decree 1245/1995, of July 14, on the creation of banks, cross-border business and other issues relating to the legal regime of credit institutions.

- Royal Decree 716/2009 (24 April), which enables Law 2/1981 (25 March), which regulates the Mortgage Market. (Note 27).

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

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

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

- Law 4/2014, of April 4, on the tax on bank deposits.

- Law 10/2014, of 26 June, on the Organisation, Supervision and Solvency of Credit Institution (published in the Official State Gazette on 27 June 2014).

- Law 27/2014, of November 27, on corporate income tax. (Official State Gazette 28 November).

- Law 31/2014, of 3 December, amending the Companies Act 2010 for the improvement of corporate governance. (Official State Gazette, 4 December 2014).

- European Parliament and Council Regulation (EU) 575/2013 of 26 June 2013, on prudential requirements for credit institutions and investment firms.

- European Parliament and Council Directive (EU) 2013/36 of 26 June 2013, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

- Regulation (EU) 1376/2014 of the European Central Bank of 10 December 2014 amending Regulation (EC) 1745/2003 on the application of minimum reserves (ECB/2003/9) (ECB/2014/52) (OJ of December 20).

- Bank of Spain Circular 2/2016 (2 February) for credit institutions, on supervision and solvency, completing the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No. 575/2013

- Bank of Spain Circular 8/2015 (18 December) for credit institutions and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine the calculation bases of contributions to the Deposit Guarantee Fund for Credit Institutions.

- Bank of Spain Circular 4/2015 (29 July), amending Circular 4/2004 (22 December), for credit institutions, on public and reserved reporting standards and model financial statements, Circular 1/2013 (24 May) on the Risk Information Centre and Circular 5/2012 (27 June) for credit Institutions and payment service providers, on transparency in banking services and responsibility in the granting of loans.

- Bank of Spain Circular 4/2016 (27 April) which amends Circular 4/2004 (22 December) for credit institutions and regarding public and reserved financial information reporting and model financial statements and Circular 1/2013 (24 May) on the Risk Information Office.

- Ruling of 29 January 2016 from the Spanish Institute of Accounting and Auditing, on information to be included in the notes to the annual accounts in connection with the average payment period for suppliers in commercial transactions.

- Royal Decree 1012/2015 (6 November), developing Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment firms, which amended Royal Decree 2606/1996 (20 December) on deposit guarantee funds for credit institutions.

- Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment firms, regarding the creation of the “National Resolution Fund”.

- Regulation (EU) No. 806/2014 of the European Parliament and of the Council (15 July) regulating the transfer from the “National Resolution Fund” to the “Single Resolution Fund”, as well as fund management and the calculation of fund contributions.

Cajamar Caja Rural, Sociedad Cooperativa de Crédito and the other Credit Cooperatives are basically regulated by Law 13/1989 (26 May) on Credit Cooperatives and by its Enabling Regulations published in Royal Decree 84/1993 (22 January). The Entities are also subject to the general regulations covering credit institutions and, furthermore, by general legislation governing cooperatives. The Entities have adapted its by-laws to meet the provisions of Law 13/1989 (26 May) on Credit cooperatives, which was published in the Official State Gazette on 31 May 1989 and Law 27/1999 (16 July) on Cooperatives, published in the Official State Gazette on 17 July 1999. Entities' by-laws, relating to the calculation and application of results, establishes the following distribution of the available surplus: 10% to the Education and Promotion Fund, 20% to the Mandatory Reserve Fund for Cajamar Caja Rural, Sociedad Cooperativa de Crédito and 50% for the other Credit Cooperatives, and the remaining 70% as determined by members at a General Assembly, based on a proposal from the Governing Body of Cajamar Caja Rural, Sociedad Cooperativa de Crédito (50% for the other Credit Cooperatives).

Standards and interpretations issued by the International Accounting Standards Board (IASB) that came info force in 2016

In 2016 the following amendments to International Financial Reporting Standards (IFRS), or interpretations of IFRS (IFRIC), came into effect, the adoption of which amendments did not have a significant impact on these consolidated annual accounts:

IFRS Annual Improvements 2010-2012 cycle	
Date of entry into force	Years commencing on or after 1 February 2015
Amendments to IAS 19 "Defined benefit plans: Employee contributions"	
Date of entry into force	Years commencing on or after 1 February 2015
Amendment to IFRS 11 "Accounting for acquisitions of interests in joint arrangements"	
Date of entry into force	Years commencing on or after 1 January 2016
Amendment of IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation"	
Date of entry into force	Years commencing on or after 1 January 2016
Amendments to IAS 16 and IAS 41 on "Agriculture: Bearer plants"	
Date of entry into force	Years commencing on or after 1 January 2016
Amendments to IAS 27 on "Equity method in separate financial statements"	
Date of entry into force	Years commencing on or after 1 January 2016
IFRS Annual Improvements 2012-2014 cycle	
Date of entry into force	Years commencing on or after 1 January 2016
Amendments to IAS 1 on "Presentation of financial statements"	
Date of entry into force	Years commencing on or after 1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 on "Investment entities" Applying the exception to consolidation"	
Date of entry into force	Years commencing on or after 1 January 2016

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

At 31 December 2016 the following standards and interpretations that could be applicable to the Group had been published by the IASB and/or IFRS Interpretations Committee but are not yet in force, either because their effective date is after the date of the consolidated financial statements or because they have not yet been approved by the European Union.

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

IFRS 9, "Financial instruments (November 2009, October 2010, November 2013 and July 2014)	
Date of entry into force	Years commencing on or after 1 January 2018
IFRS 15 "Revenue from contracts with customers" (May 2014)	
Date of entry into force	Years commencing on or after 1 January 2018
Amendments to IFRS 10 and IAS 28 on "Sale of contribution of assets between an investor and its associate or joint	
Date of entry into force	Not defined.
IFRS 16 - Leases	
Date of entry into force	Years commencing on or after 1 January 2019
Amendments to IAS 7, Cash flow disclosure initiative	
Date of entry into force	Years commencing on or after 1 January 2017
Amendment of IAS 12 - Recognition of deferred tax assets for unrealised losses	
Date of entry into force	Years commencing on or after 1 January 2017
Amendments and clarifications to IFRS 15 "Revenue from contracts with customers"	
Date of entry into force	Years commencing on or after 1 January 2018
Amendment to IFRS 2 "Classification and measurement of share based transactions"	
Date of entry into force	Years commencing on or after 1 January 2018
Amendment to IFRS 4 Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts"	
Date of entry into force	Not defined.
IFRS annual improvements 2014-2016 cycle	
Date of entry into force	Years commencing on or after 1 January 2018
Amendment of IAS 40 "Transfers of investment property"	
Date of entry into force	Years commencing on or after 1 January 2018
IFRIC 22 "Foreign currency transactions and advance consideration"	
Date of entry into force	Years commencing on or after 1 January 2018

On 24 July 2014, the IASB issued IFRS 9 which in future will replace IAS 39. There are relevant differences to the current regulation in relation to financial assets, among others, the approval of a new classification model based on only two categories of amortised cost and fair value, the elimination of the current classifications "Investments held to maturity" and "Financial assets available for sale", the analysis of impairment only for assets recorded at amortised cost and the non-segregation of implicit derivatives in financial asset contracts.

In relation to financial liabilities, the categories proposed by IFRS 9 are similar to those currently contained in IAS 39 and therefore there should not be relevant differences except for the requirement to record changes in fair value related to own credit risk as a component of equity in the case of financial liabilities are recorded to which the fair value option has been applied.

Hedge accounting will also undergo changes as the standard takes a different approach from the current IAS 39 in seeking to align the accounting treatment with the economic management of the risk concerned.The IASB has laid down that the mandatory application date is 1 January 2018, with the possibility of early adoption.

Under IFRS 9 there is a new model for impairment losses, the expected credit loss model, which replaces the model for impairment losses incurred under IAS 39 and which will give rise to the recognition of losses earlier than was the case with IAS 39. Essentially, after initial recognition transactions include the recognition of the losses expected over the following 12 months. If there is a significant increase in the risk of non-compliance with respect to the risk existing at the time the transaction is originated, the recognition of the expected losses will increase to the term corresponding to the residual maturity date of the transaction, taking into consideration any extension options that may be exercised. Finally, when the transactions are impaired i.e., those for which no part of the investment is expected to be recovered taking into account the temporary value of money, the expected loss is recognized at the residual maturity date of the transactions. In addition, interest is recognized for impaired transactions based on the carrying value of provisions, instead of the gross value before provisions.

Grupo Cooperativo Cajamar has set up an implementation working group for IFRS9, which is analyzing the main impacts and strategies of this Standard and will follow up its correct accounting, It started with the implementation of the standard in mid-year 2014 with the a project aimed to its implementation, and whose duration is approximately three and a half years and its impact is transversal, since it affects both Group's processes and systems, and to the financial information controls.

This project is led by the Direction of Global Risk Control but it is also implicated General Directorate of Investments, General Corporate Management and General Directorate of Internal Audit.

From the outset, an effort has been made to involve the governing bodies of the Group by keeping the Board of Directors duly informed of the expected evolution of Impacts and decisions related to the implementation of the standard.

The main tasks of the project are:

- Definition of the approach that identifies key aspects of IFRS 9, and creation of an action plan to ensure the implementation of the standard.

- Ensure adequate identification and planning of all quantitative and qualitative.

- Ensure the ability to perform an impact calculation prior to the first date application.

A number of key milestones have been defined so that operational developments related to classification and measurement of financial instruments and model of provisions are completed in the fourth quarter of fiscal year 2017. Specifically, at the date of this memory:

•In relation to financial assets and liabilities, the portfolio categorization and the business model are being analyzed to determine its classification and final valuation and, therefore, the quantitative impact it may entail.

•Regarding the model of provisions based on expected loss, the Institution practically has completed the adaptation of the new criteria for signs of depreciation to determine the accounting classification of the operations, as well as the process of construction of the statistical models for the estimation of coverage.

•In hedge accounting, significant impacts are not expected to occur derived from the come into effect of this standard.

The Group considers that the incorporation of IFRS 9 does not represent a substantial change in the tools and methodologies available for the monitoring of the deterioration of financial assets, although it implies the need to carry out an evaluation of the the new aspects of this standard should be incorporated into the processes and systems already established by the Group.

The different lines of work of the IFRS 9 adoption project are being developed in accordance to the plan and expected implementation dates.

As noted above, the Group is currently evaluating the different alternatives available for the practical application of some of the new requirements established by IFRS 9 and, as a consequence, the estimation of their impact will vary according to the decisions finally adopted. Therefore, at the date of preparation of the present Annual Accounts Consolidated.

1.5. Contracts in force between the parent entity and the Group entities.

At 31 December 2016, Banco de Crédito Social Cooperativo, S.A. had entered into a number of contracts during the year with the Following Group entities:

- <u>Framework contract between BCC and Cajamar Caja Rural, Sociedad Cooperativa de Crédito,</u>

  On September 1, 2016, BCC has formalized an agency agreement with Cajamar Caja Rural, Sociedad Cooperativa de Crédito, which will remain in force as long as the latter entity maintains its participation in the share capital of the former, being resolved in the moment that for any circumstance it loses its shareholder status, without prejudice to the grounds for early termination contained in the contract itself.

  In accordance with the terms and conditions established in the indicated Contract, the BCC appoints Cajamar Caja Rural, Sociedad Credit Cooperativo as its agent of credit institution for the whole national territory, which will act as its independent intermediary, in the promotion, negotiation and formalization, in the name and on behalf of BCC of the specific operations to its activity, specifically of those products and financial services detailed in Annex I of the contract (long-term mortgage loans with collateral, and short- and medium-term loans with personal guarantee).

- Framework contract signed and notarised on **30 May 2014**: (i) concluded between Cajamar Caja Rural, Sociedad Cooperativa de Crédito (“Cajamar”) and Banco de Crédito Social Cooperativo, S.A. (“BCC” or “the Bank”) and (ii) the purpose of which is to express the parties' desire to transfer, from Cajamar to BCC, a number of items accompanied by an organisational structure comprising material and human production factors that make up an independent economic unit, with the aim of said unit carrying out a business activity using its own resources.

- Contract for the purchase and sale of intangible assets concluded on **30 June 2014**: (i) concluded between Cajamar and BCC and (ii) the purpose of which is to transfer to BCC a number of intangible assets, listed therein, so that BCC may carry on the activates covered by its corporate objects and provide, general services to the member entities of the Grupo Cooperativo Cajamar.

- Contract for the provision of services by BCC to the other Grupo Cooperativo Cajamar entities: (i) concluded between BCC and the Group entities; (ii) its purpose is the provision by BCC to said entities of multidisciplinary management support services for their businesses: financial, IT, information, HR and other ancillary internal audit services, as well as risk management, accounting, legal and tax advisory and strategic planning services.

  In relation to this contract, BCC has concluded with the other Grupo Cooperativo Cajamar entities a data processing contract dated **1 July 2014** related to the reporting service of the Spanish Central Bank's Risk Information Office (“**CIR**”) for providing information on those entities' risks with third parties, and for requesting reports from the CIR.

- Property lease contract (i) between Cajamar and BCC and (ii) the purpose of which is the leasing by Cajamar to BCC of certain buildings owned by it which are detailed in the contract. On 1 June 2015, a document was signed to supplement the above-mentioned “property lease agreement” between Cajamar Caja Rural, Sociedad Cooperativa de Crédito and Banco de Crédito Social Cooperativo, SA dated 6 June 2014, so as to amend certain aspects of that agreement.

- Contract for the purchase and sale of moveable goods: (i) between Cajamar and BCC (ii) the purpose of which is the transfer by Cajamar to BCC of the moveable goods described in the contract (cabinets, desks, chairs).

- Trademark License contract (i) between Cajamar and BCC and (ii) the purpose of which is the granting, by Cajamar and for the benefit of BCC, of an exclusive license for the exploitation of the distinctive signs owned by it described in the contract.

- Trademark sub-license contract (i) between BCC and the entities that comprise GCC (with the exception of Cajamar) and (ii) the purpose of which is the granting, by BCC in favour of the rest of the entities, of an exclusive sublicense for the exploitation of the distinctive signs licenced by Cajamar that are described in the contract.

- Service contract with Tarket; (i) between Tarket Gestión AIE ("Tarket") and BCC (ii) the purpose of which is to regulate the provision, by Tarket to BCC, of the services identified in the same and related to the following areas: infrastructure services, people management and human resource services, training services, administrative services, call centre services and security services.

- Service contract with Eurovía Tecnología: (i) between Eurovía Tecnología SL and BCC (ii) the purpose of which is the provision by Eurovía Tecnología to BCC of services related to the following areas: administration and management of technology infrastructure, maintenance and development of computer applications and management and development of technology projects.

- Service contract with Eurovía Informática; (i) between Eurovía Informática AIE and BCC (ii) the purpose of which is the provision by Eurovía Informática to BCC of services related to the following areas: administration and management of technology infrastructure, maintenance and development of computer applications and management and development of technology projects and support for payment services.

1.6. Contract for the sale of the asset management and service business

At the end of 2016 the Group maintains a series of contracts that were entered into in 2014 related to the sale of the business consisting of the management of real-estate assets, mortgage loans, non-mortgage loans and securitised loans (APA), the provision of management services for these assets (SLA) and the provision of transitional services (TSA). The sale of this business has not been treated as a discontinued operation given its immaterial nature within the Group's overall business.

The purpose of these agreements is the sale of the real-estate asset, mortgage loan, non-mortgage loan and securitised loan management business. The operation is structured so that the real-estate asset, mortgage loan, non-mortgage loan and securitised loan management business is performed directly by Laformata Servicios y Gestiones, S.L. (the company acquiring the business) without any instrumental company performing said activity being involved.

The agreement for the purchase and sale of the real estate asset management business, mortgage loans, non-mortgage loans and securitised loans (APA) included the transfer of the resources necessary to carry on the management activity independently.

The **SLA** regulates (only for the purpose of information management): i) access by the manager to the Group's branch network; ii) access by the manager to the Group's IT resources; iii) the provision of financing to potential purchasers of REOs.

The Transitional Services Agreement **(TSA)** provides for the provision of these services to the buyer by the Group for a period of 12 months as from the date of transfer. These services are related to IT services and projects, personnel management services, general services, logistics centre services, expert advice and other support services related to the business and monthly pricing of services.

Through this transaction the Group transferred all significant risks and benefits to the buyer in accordance with the provisions of IAS 39 and, in turn, the Group retains no involvement in the management of the transferred business or control over that business.

1.7. Commercial agreement on consumer credit products

In March 2015, the parent entity and Banco Cetelem, S.A. reached an agreement to set up a joint venture to engage in selling consumer credit products in Spain, so as to launch and develop a business in which the products are offered, granted and sold to individuals, exclusively through the distribution network, i.e. through the entities forming the Grupo Cooperativo Cajamar, under a non-financial agency agreement.

The joint venture company, in which 49% of the initial share capital was contributed by the Group's parent entity (€17.8 million) and 51% by Banco Cetelem, S.A. (€18.7 million), was formed as a specialised financial institution in a public deed executed on 27 January 2016 and entered in the Bank of Spain's Register on 15 February 2016, under the name GCC Consumo, Establecimiento Financiero de Crédito, S.A.

The agreement includes an upfront payment in exchange for the exclusive arrangement granted by the Bank consisted of an upfront payment of €20,685 thousand as consideration for the exclusivity granted by the Bank (taxes included), of which the Group recognized €8,403 thousand as the result obtained on the sale of intangible assets, due to their irrevocable nature, after having deducted the relevant expenses deriving from the incorporation of that company. This amount was recognized under the heading "Gains or losses on the disposal of non-financial asset accounts and shareholdings, net (Note 25) in the accompanying consolidated income statement and the remaining amount will accrue up to 2021.

1.8. Commercial agreement on Investment Funds:

On 6 November 2015, Banco de Crédito Social Cooperativo, S.A., in its capacity as Parent of Grupo Cooperativo Cajamar, and Trea Asset Management S.G.I.I.C., S.A. entered into an exclusive 15-year agreement (duly authorised by Spain's securities market regulator, the CNMV) covering the distribution and marketing of mutual funds invested in Spanish and international fixed-income assets, equities, or a mix.

The commitments assumed under the agreement include:

(i) the replacement of Intermoney Gestión, SGIIC as the company managing the collective investment schemes (CISs) marketed by Grupo Cooperativo Cajamar under the terms of a prior agreement dated 10 February 2010 by the Management Company; and

(ii) the appointment of Banco de Crédito Social Cooperativo, S.A. as exclusive distributor for the marketing, through its branch network and asset management arm, of the CISs covered by the agreement.

Banco de Crédito Cooperativo and Trea Asset Management S.G.I.I.C., S.A. also agreed that the latter would invest €30 million of equity in the former. Trea's equity investment in Banco de Crédito Cooperativo was ratified by the Board of Directors of the Parent on 1 December 2015. Under the terms of this agreement, Trea Asset Management S.G.I.I.C., S.A. has expressly, unconditionally and irrevocably committed to the Bank and the rest of its shareholders not to sell its shares by any means, in full or in part, directly or indirectly, until the earliest of the following dates:

(i) The date of termination, under any circumstances, of the Distribution Agreement, in keeping with the terms and conditions of the latter.

(ii) In the event that some or all of the shares of Banco de Crédito Social Cooperativo, S.A. are admitted to trading on an official secondary market pursuant to an initial public offering of primary or secondary shares on or before 31 December 2018, the date 24 months from the date of admission to trading.

1.9. Singular operations completed in 2016 and 2015

- **Sale of loan portfolios**

During the first half of 2016 the Group sold a loan portfolio consisting of loans, credit accounts, syndicated financing, discounting facilities, foreign financing, factoring, documentary credit, guarantees, cards and overdrafts, with and without collateral, including some foreclosed assets deriving from these transactions for Baracoa Holdings Designated Activity Company, Percalata Servicios y Gestiones, S.L. and Rodalata Servicios y Gestiones S.L. The total gross amount of the portfolio transferred with all risks and benefits amounted to €601,994 thousand.

Similarly, during the second half of 2016 the Group concluded another delinquent loan assignment agreement with Gescobro Collection Services, S.L. and as a result of the sale the latter company acquires full ownership of the assigned loans. The amount of the transferred portfolio totalled €206,184 thousand.

- **Agreement with Generali España, Holding de Entidades de Seguros S,A:**

On August 4, 2016, a third novation of the contract was made, in which it incorporates the Accumulated Variable Price, which represents the recognition on each anniversary of the Price Variable as a fixed amount and not revisable. The agreement will be automatically extended if the Acquired Variable Price was higher than the Acquired Price on the fifteenth anniversary, until such price exceeds or equals the Acquired Variable Price. The annual change in value of the Acquired Variable Price is recognized under the heading "Financial assets designated to Fair value through profit or loss - Loans and advances ".

On 23 February 2015, the parent entity executed a public deed containing corporate resolutions relating to a capital increase and a partial amendment of by-laws, whereby Cajas Rurales Unidas, Sociedad Cooperativa de Crédito (now Cajamar Caja Rural, Sociedad Cooperativa de Crédito) contributed to the Bank all the shares in Cajamar Vida that it owned, i.e. 450,760 fully-subscribed and paid-up registered shares in a single class and series, with a par value of €10 each, numbered correlatively 1 through 450,760, representing fifty (50) percent of the Company's share capital; since the effective date of the capital increase, Banco de Crédito Social Cooperativo, S.A. has held 50% of the shares in Cajamar Vida (Note 1.9.a and Note 10). The operation was approved by the Directorate General for Insurance on 29 January 2015.

- **Non-cash contribution:**

On 23 February 2015, Banco de Crédito Social Cooperativo, S.A. increased capital by means of the contribution made by Cajamar Caja Rural Unidas, Sociedad Cooperativa de Crédito (now called Cajamar Caja Rural, Sociedad Cooperativa de Crédito), the operation having been recorded in a public deed together with the mandatory report from an independent expert designated by the Madrid Commercial Registry, dated 20 February 2015. The capital increase in Banco de Crédito Social Cooperativo, S.A. was entered in the Commercial Register on 24 March 2015, in volume 32439, book 0, sheet 71, section B, page M573805. The capital increase had been approved by Banco de Crédito Social Cooperativo, S.A.'s Extraordinary General Meeting and comprised three sets of assets:

- A cash contribution of €76,278 thousand.

- A non-cash contribution of shares in Group companies, for a carrying amount in the contributing party (Cajamar Caja Rural, Sociedad Cooperativa de Crédito) of €17,659 thousand, The value of these shares in the consolidated group total €48,980 thousand, Consequently, the difference between the consolidated value and the individual carrying amount is €31,322 thousand.

- A non-cash contribution of equity instruments - available-for-sale financial assets with a carrying amount in Cajamar of €68,191 thousand, which relates to a cost of €52,418 thousand and impairment of €238 thousand, reflecting the gains that were recognised at fair value in the item “Valuation adjustments” in the amount of €16,011 thousand.

The agreed maximum capital increase was €186,450 thousand and the total fair value of the assets contributed was €193,450 thousand. In accordance with the independent expert's conclusions, the fair value of the non-cash contributions was at least the value allocated by the management of Cajamar Grupo Cooperativo, which was €117,172 thousand.

On the basis of ICAC replies to ruling requests and reporting standard 21 in the Chart of Accounts, a non-cash contribution of shares in Group companies must be treated as a contribution of different businesses and therefore measured at the carrying amount of the businesses reflected in the Consolidated Annual Accounts.

Any difference that may arise in the accounting treatment due to the above-mentioned approach must be recognised in a reserve item. Consequently, Cajamar Caja Rural, Sociedad Cooperativa de Crédito has recorded an increase of €31,322 thousand in "Reserves".

The non-cash contribution of available-for-sale financial assets must be treated as a commercial swap, pursuant to reporting standard 2.1.3 of the Chart of Accounts. In commercial swaps, the asset received (in this case, shares in the investee) must be measured at the fair value of the asset handed over plus any cash amounts that may have been paid. Any measurement difference that may arise on the write-off of the asset handed over in exchange for its carrying amount is taken to the income statement. Cajamar Caja Rural, Sociedad Cooperativa de Crédito therefore recognized a profit of €16,011 thousand in the item "Net gains/(losses) on financial assets and liabilities - Other financial instruments at fair value through profit or loss".

Nonetheless, from a consolidated viewpoint, there is no effect on the financial statements since the operation was not effected with non-Group third parties.

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

2.1. True and fair view

The consolidated annual accounts have been prepared in accordance with the Entity's accounting records and those kept by each of the companies and credit institutions making up the Cooperative Group and include all adjustments and reclassifications necessary to uniformly present the accounting and presentation criteria, and they are presented in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, such that they reflect a true and fair view of the Group's equity, financial situation and results ; with the Spanish Code of Commerce; with Royal Decree-Law 1/2010 (2 July), whereby the revised Spanish Companies Act 2010 was introduced (LSC), repealing the Spanish Companies Act and the Spanish Limited Liabilities Companies Act; with Royal Decree 6/2010 on measures to encourage economic recovery and employment, with respect to the legal regime applicable to Institutional Protection Systems (SIP); and other applicable Spanish legislation, such that they give a fair view of the Group's equity, financial situation and results at 31 December 2016.

The 2016 consolidated annual accounts prepared by the governing Body will be submitted for the approval of the General Assembly, which is expected to be obtained without any modification being necessary.

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

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

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

2.2. Going concern principle

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

2.3. Accrual basis of accounting

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

2.4. Offset of balances

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

2.5. Comparability

The Board of Directors of Banco de Crédito Social Cooperativo, S.A. presents, for comparative purposes, for each of the figures in the present annual accounts, in addition to the figures for 2016 those relating to 2015.

The Group's consolidated annual accounts for 2015 were approved by the General Assembly held on 10 May 2016.

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

Appendix IV details the main headings of the individual balance sheets and income statements of the entities making up Grupo Cooperativo Cajamar at 31 December 2016 and 2015, prepared in accordance with the accounting standards laid down in Spanish Central Bank Circular 4/2004 and subsequent amendments.

Bank of Spain Circular 5/2014 (of 28 November 2014) took effect during the second half of 2016, amending, among other things, Bank of Spain Circular 4/2004 (of 22 December 2004) on credit institutions' public and confidential reporting rules and formats. The goals of the new Circular include that of adapting the content of the financial information disclosed publicly by credit institutions to the preparation criteria, terminology, definitions and templates required under European Union IFRS (known as FINREP).

The accompanying consolidated financial statements were prepared using the new structure stipulated in the above Circular and successive Circulars published by the Bank of Spain, which have also modified Circular 4/2004. The comparative information for the year ended 31 December 2015 has been adapted accordingly.

The balance and profit and loss account for the year 2015 compared to identify the reclassifications between the FINREP statements of these Annual Accounts and the audited statements as of December 31, 2015 are shown below:

		Thousand euro		
	Notes	**2015 (*)**	**Reclassification**	**2015**
Cash, cash balances at central banks and other sight deposits	**7.1**	**761,267**	**72,937**	**688,330**
Financial assets held for trading	**7.3**	**603**	**-**	**603**
Financial assets designated at fair value through changes in profit or loss	**7.4**	**46,115**	**-**	**46,115**
Available-for-sale financial assets	**7.5**	**504,144**	**-**	**504,144**
Loans and receivables	**7.6**	**30,440,253**	**(72,937)**	**30,513,190**
Loans and prepayments		30,389,640	(72,937)	30,462,577
Debt securities		50,613	-	50,613
Investments held-to-maturity	**7.7**	**4,490,163**	**-**	**4,490,163**
Hedge derivatives	**8**	**19,840**	**-**	**19,840**
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	**-**	**-**	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**10**	**69,184**	**-**	**69,184**
Assets covered by insurance or reinsurance contracts		**-**	**-**	**-**
Property, plant and equipment	**11**	**948,898**	**-**	**948,898**
Property, plant and equipment		684,927	-	684,927
For own use		*680,791*	-	*680,791*
Assigned under operating lease		-	-	-
Linked to the Education and Promotion Fund		*4,136*	-	*4,136*
Investment property		263,970	-	263,970
Intangible assets	**12**	**279,863**	**-**	**279,863**
Tax assets	**14**	**1,005,605**	**-**	**1,005,605**
Other assets	**15**	**1,406,917**	**-**	**1,406,917**
Non-current assets and disposal groups of assets classified as held-for-sale	**9**	**488,586**	**-**	**488,586**
TOTAL ASSETS		**40,461,437**	**-**	**40,461,437**

(*) Financial information prepared in FINREP format

	Notes	2015 (*)	Thousand euro Reclassification	2015
Financial liabilities held for trading	7.3	168	-	168
Financial liabilities designated at fair value through changes in profit or loss	-	-	-	-
Financial liabilities at amortised cost	7.8	37,095,731	-	37,095,731
Adjustments to financial liabilities due to macro-hedging		-	-	-
Hedge derivatives	8	1,359	-	1,359
Insurance contract liabilities	-	-	-	-
Provisions	13	106,406	-	106,406
Tax liabilities	14	109,415	-	109,415
Refundable share capital	-	-	-	-
Other liabilities	15	350,516	9,448	341,068
Of which : community projects fund (only savings banks and credit co-operatives)	-	*9,448*	*9,448*	-
Promotion and Education Fund	-	-	(9,448)	9,448
Liabilities included in disposal groups of assets classified as held-for-sale	-	-	-	-
TOTAL LIABILITIES		37,663,595	-	37,663,595

(*) Financial information prepared in FINREP format

	Notes	2015 (*)	Thousand euro Reclassification	2015
Equity	17	2,793,036	3,967	2,789,069
Share capital	17	1,045,398	-	1,045,398
Authorised		1,045,398	-	1,045,398
Less: Uncalled capital		-	-	-
Share premium account	17	6,999	-	6,999
Equity instruments issued, other than capital	17	2,365,749	-	2,365,749
Other equity items		-	-	-
Retained earnings	17	243,827	4,295	239,532
Revaluation reserves	17	68,593	-	68,593
Other reserves	17	14,348	(328)	14,676
Reserves or accumulated losses on investments in joint ventures and associates		*14,676*	-	*14,676*
Other		*(328)*	(328)	-
(–) Treasury shares	17	(984,349)	-	(984,349)
Profit attributable to parent company shareholders	17	70,272	-	70,272
(–) Interim dividends	17	(37,801)	-	(37,801)
Accumulated other comprehensive income	19	4,265	4,265	-
Items that will not be reclassified to profit or loss		*(3,967)*	(3,967)	-
Actuarial gains or (–) losses on defined benefit pension plans		*(3,967)*	(3,967)	-
Other measurement adjustments		-	-	-
Items that may be reclassified to profit or loss		*8,232*	8,232	-
Measurement adjustments	-	-	(8,232)	8,232
Available-for-sale financial assets		-	(4,523)	4,523
Entities measured under the equity method		-	(3,709)	3,709
Non-controlling shareholdings	20	541	-	541
TOTAL EQUITY		2,797,842	-	2,797,842
TOTAL EQUITY AND LIABILITIES		40,461,437	-	40,461,437

(*) Financial information prepared in FINREP format

	Notes	2015 (*)	Reclassification	2015
		Thousand euro		
Interest income	25	826,975	-	826,975
Interest expense	25	(262,262)	-	(262,262)
Refundable share capital expense		-	-	-
A) INTEREST MARGIN		564,713	-	564,713
Dividend income	25	3,512	-	3,512
Results in Entities measured using the equity method	25	17,248	-	17,248
Fee income	25	277,740	-	277,740
Fee expense	25	(14,786)	-	(14,786)
Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through changes in profit or loss,	25	65,129	9,128	56,001
Net gains or losses on financial assets and liabilities held for trading	25	474	-	474
Net gains or losses on financial assets and liabilities designated at fair value through changes in profit or loss	25	39,906	-	39,906
Net gains or losses resulting from hedge accounting	25	(31)	(31)	-
Other gains/(losses) on financial transactions	25	-	(9,097)	9,097
Exchange differences (net)	25	3,752	-	3,752
Other operating income	25	70,284	-	70,284
Other operating expense	25	(77,707)	(1,393)	(76,314)
Of which: mandatory appropriations to the community projects fund		*(1,393)*	*(1,393)*	-
B) GROSS MARGIN		950,234	(1,393)	951,627
Administration expenses	25	(546,509)	-	(546,509)
Personnel expenses		*(357,093)*	-	*(357,093)*
Other administration expenses		*(189,416)*	-	*(189,416)*
Amortisation/depreciation	25	(77,375)	-	(77,375)
Provisions or reversal of provisions (net)	25	(6,133)	-	(6,133)
Impairment or reversal of impairment of financial assets not measured at fair value through changes in profit or loss (net)	25	(110,366)	-	(110,366)
C) RESULTS FROM OPERATING ACTIVITIES		209,851	(1,393)	211,244
Impairment, or reversal of impairment, of investments in joint ventures or associates (net)	25	17	17	-
Impairment, or reversal of impairment, of non-financial assets (net)	25	(120,320)	(17)	(120,303)
Net gains or losses on the disposal of non-financial asset accounts and shareholdings	25	(5,387)	-	(5,387)
Of which: investments in subsidiaries, joint ventures and associates		*(137)*	-	*(137)*
Negative goodwill recognised in the income statement		-	-	-
Gains or losses on non-current assets and disposal groups of assets classified as held for sale not admissible as discontinued operations	25	(26,737)	-	(26,737)
D) GAINS OR LOSSES BEFORE TAXES ON CONTINUING OPERATIONS		57,424	(1,393)	58,817
Income tax expense or income on gains on continuing operations	-	12,793	-	12,793
E) GAINS OR LOSSES AFTER TAXES ON CONTINUING OPERATIONS	-	70,217	(1,393)	71,610
Gains or losses after taxes on discontinued operations		-	-	-
Mandatory appropriation to the Education and Promotion Fund		-	1,393	(1,393)
F) PROFIT OR LOSS FOR THE YEAR		70,217	-	70,217
Attributable to non-controlling shareholdings	25	(54)	-	(54)
Attributable to parent company shareholders	-	70,272	-	70,272

(*) Financial information prepared in FINREP format

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

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

- Impairment losses affecting financial assets (Notes 3.1.a, 3.1.c, 3.3, 7.5.1, 7.5.2, 7.6.1, 7.6.2.3, 7.6.3 and 7.7) as well as the fair value of goodwill (Note 12).

- The assumptions used in the actuarial calculations and the assumptions utilized to evaluate the liabilities and commitments for post-employment compensation (Note 3.20).

- Impairment losses and the useful life of property, plant and equipment and intangibles (Notes 3.7, 3.8, 3.9, 9, 11 and 12).

- The fair value of certain financial assets not listed on official secondary markets (Notes 3.1 and 3.27).

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

- The reversal period for timing differences (Notes 3.18) and deferred tax assets recoverability for tax-losses carry forwards.

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

- Provisions for liabilities classed as probable due to the possibility of meeting payment obligations.

Although the estimates and assumptions used are based on past experience and on other factors that have been considered the most reasonable at the present time and are reviewed periodically, it may be that events that occur in the future require them to be modified in the coming years, which would be in accordance with IAS 8 prospectively, recognizing the effects of the change in the estimate that, if applicable, may occur in the corresponding consolidated income statement for the years in question.

2.7. Consolidation principles

These consolidated annual accounts have been prepared using the full, proportional and equity methods of consolidation as stipulated by the aforementioned legislation, including the following companies at 31 December 2016 and 2015:

	2016		2015	
	% shareholding		% shareholding	
Sociedad	**direct**	**Indirect (a)**	**direct**	**indirect (a)**
Group Companies				
Cajamar Caja Rural, Soc,	-	-	-	-
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S,C,C,V,	-	-	-	-
Caixa Rural Vila-Real, S,C,C,	-	-	-	-
Caja Rural de Torrent, S,C,C,	-	-	-	-
Caixa Rural Altea, S,C,C,V,	-	-	-	-
Caixa Rural de Callosa de Sarria, C,C,V,	-	-	-	-
Caixa Rural Sant Josep de Vilavella, S,C,C,V,	-	-	-	-
Caja Rural de Alginet, S,C,C,V,	-	-	-	-
Caja Rural de Cheste, S,C,C,	-	-	-	-
Caja Rural de Villar, C,C,V,	-	-	-	-
Caja Rural la Junquera de Chilches, C,C,V,	-	-	-	-
Caja Rural San Isidro de Vilafamés, C,C,V,	-	-	-	-
Caja Rural San Jaime de Alquerias Niño Perdido, C,C,V,	-	-	-	-
Caja Rural San Jose de Burriana, C,C,V,	-	-	-	-
Caja Rural San José de Nules, S,C,C,V,	-	-	-	-
Caja Rural San Roque de Almenara, S,C,C,V,	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C,C,V,	-	-	-	-
Caixa Rural Albalat dels Sorells, C,C,V,	-	-	-	-
Caixa Rural de Turís, C,C,V,	-	-	-	-
Alquileres Alameda 34, S,L, (b)	-	8.33%	-	8.33%
Cajamar Inter, Op, Banca Seg, Vinculado, S,L,U, (b)	-	100.00%	-	100.00%
Cimenta2 Gestión e Inversiones, S.A.U, (b)	-	100.00%	-	100.00%
Cimentados3, S.A.U, (c)	100.00%	-	100.00%	-
Eurovía Informática, A,I,E, (d)	99.00%	1.00%	99.00%	1.00%
Eurovía Tecnología S,L,U, (e)	-	100.00%	-	100.00%
Giesmed Parking, S,L,U, (f)	-	100.00%	-	100.00%
Hotel Envía Golf, S,L,U, (f)	-	100.00%	-	100.00%
Inmuebles Alameda 34, S,L, (b)	-	4.62%	-	4.62%
Parque Industrial Accesosur, S,L, (b)	-	70.00%	-	70.00%
Sunaria Capital, S,L,U, (d)	100.00%	-	100.00%	-
Talia Formación S,L,U, (e)	-	100.00%	-	100.00%
Tarket Gestión, A,I,E, (d)	98.00%	2.00%	98.00%	2.00%
Multigroup companies				
Safei Rural Málaga, S.A. (g)	-	-	-	50.00%
Associated companies				
Acuariums de Almería, S,L, (e) (g)	-	-	-	25.00%
Agrocolor, S,L, (b)	-	32.37%	-	32.37%
Apartamentos Media Luna, S.A. (f)	-	50.00%	-	50.00%
Balsa de Insa, S,L,(i)	-	24.50%	-	24.50%
Biocolor, S,L, (e)	-	22.19%	-	22.19%
Cajamar Seguros Generales, S.A. de Seguros y Reaseguros (d)	50.00%	-	50.00%	-
Cajamar Vida, S.A. de Seguros y Reaseguros (d)	50.00%	-	50.00%	-
Cultipeix S,L, (e)	-	21.28%	-	21.28%
GCC Consumo Establecimiento Financiero de Crédito, S.A. (h)	49.00%	-	-	-
Habitat Utiel, S,L, (f)	-	25.00%	-	25.00%
Murcia emprende S,C,R,, S.A. (b)	-	22.06%	-	25.00%
Occidental Arroyomolinos, S,L, (e)	-	25.00%	-	25.00%
Parque Científicio-Tecnológico de Almería, S.A. (b)	-	30.08%	-	29.87%
Proyecta Ingenio, S,L, (e)	-	24.90%	-	24.90%
Renovables la Unión, S,C,P, (j)	-	40.00%	-	40.00%
Sabinal Agroservicios, S,L, (b)	-	50.00%	-	50.00%
Solaes Fruit, S,L,(i)	-	25.00%	-	25.00%
Tino Stone Group, S.A. (b)	-	24.96%	-	24.96%

(a) applying the control of Banco de Crédito Social Cooperativo, S.A. as the parent of the Group,
(b) indirect interest through Cajamar Caja Rural, S.C.C.
(c) company incorporated by Banco de Crédito Social Cooperativo, S.A. in 2015.
(d) companies transferred from Cajamar Caja Rural, S,C,C, to Banco de Crédito Social Cooperativo, S.A. in 2015.
(e) indirect interest through the company Sunaria Capital, S.A.U.
(f) indirect interest through the company Cimenta2 Gestión e Inversiones, S.A.U.
(g) companies divested in 2016.
(h) new direct interest resulting from the incorporation of the company in 2016.
(i) indirect interest through Caja Rural Vila-Real, S.C.C.
(j) indirect interest through Caja Rural Sant Vicent Ferrer de la Vall D´Uixo, S.C.C.V.

Changes in shareholdings in 2016 that affect the scope of consolidation are as follows:

Name of the acquired or merged entity (or branch of activity)	Category	Effective transaction date	Net cost of the combination (a)+(b) (thousand euros)		% voting rights acquired	% total voting rights in the company after the acquisition
			Net amount paid on the acquisition + other costs directly attributable to the combination (a)	Fair value of the equity instruments issued on the acquisition of the company (b)		
GCC Consumo Establecimiento Financiero de Crédito, S.A. (1)	Associates	27/01/2016	17,983	-	49.00%	49.00%
Parque Científico-Tecnológico de Almería, S.A. (2)	Associates	28/11/2016	750	-	0.17%	30.08%

Decrease in shares in subsidiaries, joint ventures and/or investments in associates or other similar transactions at 31/12/2016

Name of the company (or line of business) sold, spun-off or derecognised	Category	Effective transaction date	% voting rights sold or derecognised	% total voting rights in the company after the acquisition	Net profit/(loss) generated (thousand euro)
Murcia Emprende, S.C.R., S.A. (3)	Associates	28/02/2016	(2.94%)	22.06%	-
Safei Rural Málaga, S.A. (4)	Multigroup	27/05/2016	50.00%	-	8
Acuariums de Almería, S.L. (5)	Associates	23/06/2016	25.00%	-	-

(1) increases in direct interests due to the incorporation of the company.
(2) increases in indirect interests due to the participation in share capital increases at the company.
(3) decrease in indirect interests due to waiving preferred subscription rights in share capital increases at the company.
(4) decrease in indirect interests due to the liquidation of the company.
(5) decrease in indiredt interests due to the sale of the company.

Banco de Crédito Social Cooperativo, S.A. increased share capital in December 2016 by €3,580 thousand through the issue of 3,580 thousand shares with a par value of €1, subscribed by entities not pertaining to the Group through monetary contributions which brought share capital to €1,048,978 thousand.

Furthermore, in 2016 the Company participated in the incorporation of GCC Consumo Establecimiento Financiero de Crédito, S.A and it divested from the companies Safei Rural Málaga, S.A and Acuariums de Almería, S.L. due to liquidation and the sale of the investment, respectively.

During 2015, the share capital of Banco de Crédito Social Cooperativo, S.A. was increased by €186,450 thousand through the issuance of 186,450 thousand shares with a par value of €1 each plus a total share premium of €6,999 thousand, fully subscribed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito by means of cash and non-cash contributions and additionally, in December 2015, Banco de Crédito Social Cooperativo, S.A.'s share capital was increased by €45,398 thousand by issuing 45,398 thousand shares with a par value of €1 each, subscribed by non-Group entities, through cash contributions, bringing share capital to €1,045,398 thousand.

Similarly, in 2015, Banco de Crédito Social Cooperativo, S.A. acquired the companies Eurovía Informática, A.I.E. and Tarket Gestión, A.I.E. Consequently, Banco de Crédito Social Cooperativo, S.A.'s interests in those companies shifted from indirect to direct shareholdings.

Furthermore, in 2015 the company Cimentados3, S.A.U. was set up and the company Sumando Recursos, S.L.U. was sold.

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

Subsidiaries

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

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

The financial statements for the "subsidiaries" are consolidated with those of the Entity using the full consolidation method and therefore all the significant balances and transactions between the consolidated entities have been eliminated during the consolidation process. The equity and results of subsidiaries relating to outside shareholders are recognised under Group equity and the results are recorded under the headings "Minority interests" and "Results attributed to minority interests", respectively in the consolidated balance sheet and consolidated income statement, respectively (Notes 10, 20 and 25).

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

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

Multi-group companies

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

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

Associates

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

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

In the consolidated financial statements, associated companies are measured at cost at the acquisition date and subsequently using the "Equity Method" as defined in IASB 28 i.e. based on the percentage of equity that the Group's shareholding represents in its share capital, taking into consideration the dividends received and other equity eliminations. At the time of acquisition, the cost of the shareholding is assigned to its assets, liabilities and contingent liabilities, taking into consideration their fair values, the positive differences between the cost of acquisition and the aforementioned fair value (Goodwill - Notes 3.9 and 12), are recorded under the heading "Shareholdings" in the account "Associated companies" in the consolidated balance sheet as an increase in the equity shareholding.

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

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

Changes in the adjustments in the measurement of the associated company, subsequent to the acquisition date, is recorded as an increase or decrease in the value of the shareholding. The amount of these changes was recorded in the heading "Measurement adjustments" under consolidated equity (Note 7.5.3).

2.8. Other general principles and environmental information

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

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

2.9. Agency contracts

In accordance with the provisions of Article 22 of Royal Decree 1245/1995 (14 July), Appendix III lists the financial agents with which the Cooperative Group operates in 2016 and 2015.

3. Accounting policies and criteria applied

3.1. Financial instruments

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

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

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

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

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

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

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

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

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

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

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

Financial assets and liabilities are offset and presented at their net amount in the consolidated balance sheet when there is a legally enforceable right that provide for posible offset and the Group´s intentions are to settle assets and liabilities at their net amount, or simultaneously realise and pay, said assets and liabilities. This legally enforceable right should not be contingent depending on future events and may be required in the ordinary course of business, and in case of default, insolvency or bankruptcy of the company or the counterparty.

a) Financial assets

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

Classification of financial assets

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

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

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

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

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

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

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

Measurement of financial assets

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

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

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

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

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

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

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

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

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

Write-off of financial assets from the consolidated balance sheet

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

Impairment losses on financial assets

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

- **Impairment losses on debt instruments**

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

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

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

  Estimated future cash flows of a debt instrument are all the amounts, principal and interest, that the Group considers it will obtain over the life of the instrument. This estimate takes into account all significant up-to-date and reliable information available at the date of preparation of the consolidated financial statements concerning the possible future collection of contractual cash flows. Similarly, the estimate of future cash flows from instruments secured by guarantees, takes into account the flows that would be obtained on their realization, less the amount of the necessary costs for their obtainment and subsequent sale, irrespective of the probable enforcement of the guarantee.

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

As a general rule, the carrying value of financial instruments due to impairment is adjusted against the consolidated income statement for the period in which such impairment arises and the recovery of previously recorded impairment losses, if any, is recognized in the consolidated income statement for the period in which such impairment is eliminated or reduced. In the event that the recovery of any amount in respect of the impairment recorded is considered remote, such impairment is written off the consolidated balance sheet although the Group may carry out the necessary actions to attempt to secure collection until the definitive extinguishing of its debt claims due to lapsing, remission or other reasons.

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

The balance of impairment losses incurred on debt securities and equity instruments and included within “Available-for-sale financial instruments” is equal to the positive difference between their acquisition cost, net of any principal repaid, and their fair value, less any impairment losses previously recognised in the consolidated statement of profit or loss.

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

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

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

- **Impairment losses on equity instruments**

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

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

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

In the case of equity instruments constituting participations in jointly controlled entities and associates, the Group estimates the amount of impairment losses by comparing its recoverable amount with its carrying amount, These impairment losses are recorded in the consolidated income statement for the period in which they occur and subsequent recoveries are recorded in the consolidated income statement of the recovery period.

b) Financial Liabilities

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

Classification of financial liabilities

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

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

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

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

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

Measurement of financial liabilities

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

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

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

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

Write-off of financial liabilities from the consolidated balance sheet

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

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

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

c) *Gains and losses in the value of financial assets*

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Reclasification among financial instrument portfolios

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

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

ii. If a financial asset, as a result of a change in the intention or the financial capacity ceases to be classified in the portfolio of investments held to maturity, it is reclassified to the category "Financial assets available-for-sale". In this case, the same treatment will be applied to all financial instruments classified under the portfolio of investments held to maturity, unless that reclassification comes under the grounds allowed by applicable legislation (sales very close to the maturity date, or once practically all the principal of the financial asset has been collected or sales attributable to an isolated event that is non-recurring and will could not have been reasonably predicted by the Group).
During 2016, the Group carried out a transfer of debt securities classified as "Investments held-to-maturity" to the portfolio "Financial assets held for trading totaling €5,122,839 thousand (Note 7.7).

iii. If a reliable measurement of a financial asset or liability becomes available, and was not previously available, and it is mandatory to measure them at fair value, such as unlisted equity instruments and derivatives that have equity instruments as the underlying asset, these financial assets or liabilities will be measured at fair value and the difference with respect to the a carrying value will be treated in accordance with the provisions established for that class of portfolio.

In 2016 no significant reclassification described above took place.

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

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

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

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

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

In 2016 no reclassification of financial assets included in the trading portfolio took place.

3.2. Capital and Contributions to the share capital

The shares in Banco de Crédito Social Cooperativo, S.A., are represented by indivisible registered shares which may be single or multiple. Shareholders are entitled to receive, free of charge, both single and multiple share certificates. If a multiple certificate is delivered, shareholders are entitled to request, after annulling those they submit for this purpose, the issuance of as many single certificates as the shares they hold or one or more multiple certificates representing a number of shares which is different from that of the certificates the annulment of which is requested.

The Bank shall keep a duly legalised book of registered shares for the purposes stipulated by law.

Partly paid up shares, if any, must be paid in full when so required by the Board of Directors, pursuant to Article 8 of the Company's Bylaws. The form and other details of payment are as provided in the resolution to increase capital, which may provide that the payments can be made through monetary and non-monetary contributions.

The shares are transferable by all lawful means. Transfers of the Company's shares are governed by the following terms and conditions contained in Article 13 of its Bylaws.

The Bank may issue:

- Non-voting shares for a nominal amount not exceeding half of the share capital. Non-voting shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation.

- Redeemable shares for a nominal amount not exceeding one quarter of share capital. Redeemable shares shall confer upon their holders the rights established in the issue resolution, in accordance with current legislation and by means of the requisite amendment to the Bylaws.

- Shares that confer a privilege over ordinary shares in the legally established terms, in compliance with the formalities prescribed for the amendment of the Bylaws.

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

The parent's bylaws and those of the credit institutions making up the Cooperative Group are consistent with the recommendations of Spanish and international watchdogs concerning solvency and share capital such that the reimbursement of share capital contributions requires in all cases the prior and favourable resolution of the Governing Board (Note 17.1.3).

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

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

In any event, Spanish Central Bank Circular 3/2008 (22 May) and subsequent modifications, regarding the calculation and control of minimum equity for credit institutions, stipulates that the contributions to the share capital of credit cooperatives, independent of its accounting classification as a financial liability or as equity, will be part of first class equity until December 31 2012, after that date, and in accordance with the amendments included in that Spanish Central Bank Circular 4/2011, only contributions recognised as equity will be considered to be capital. As indicated above, all the Group's capital contributions meet the requirements to be computed as tier 1 capital in both 2015 and next year 2016.

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

3.3. Credit risk hedges and calculation method

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

- **Insolvency risk attributed to the customer**

  Debt instruments not recognised at fair value through changes in profit or loss, contingent risks and contingent commitments are classified, based on the solvency risk attributable to the customer or the transaction, in the following categories: normal risk, sub-prime risk, doubtful risk due to customer default, doubtful risk for other reasons and bad debts. In order to calculate the hedges in this respect, the amount of the risk relating to debt instruments will be the gross carrying amount and that for off-balance sheet exposure will be the estimate of the amounts expected to be paid.

  The Group classifies transactions based on their credit risk due to insolvency using the following categories:

  - Normal risk: covers all transactions that do not comply with the requirements to be classified in other categories.

  - Normal risk under special supervision: those transactions in the normal risk category but which require special supervision are identified. Normal risks under special supervision: those transactions that present weaknesses that could lead to the assumption of losses higher than those deriving from other similar transactions classified under normal risk since they do not comply with the criteria for being individually classified as doubtful or in delinquency. The Company first takes into account the following indications regarding the counterparty's circumstances when performing this identification:

    − High debt levels.
    − Declines in revenue or, in general, recurring cash flows.
    − Tightening of operating margins or available recurring income.

    The Group also classifies as normal risk under special supervision the transactions included in a special debt sustainability agreement, among others, provided that certain conditions are met that identify them as renewed or renegotiated.

  - Doubtful items due to non-payment by the counterparty: consists of the amount of debt instruments, regardless of the counterparty and guarantee, that reflect any principal, interest or expense set out in the agreement that is outstanding for more than 90 days, unless it is appropriate to classify them as in delinquency.

This category also includes the amounts relating to all transactions with a counterparty when the transactions reflecting amounts outstanding for more than 90 days exceed 20% of the total amount outstanding.

Transactions considered to be doubtful due to non-payment in which there are simultaneously other circumstances to classify them as doubtful are classified as doubtful due to non-payment.

- Doubtful risks resulting from reasons other than non-payment: includes debt instruments, whether or not due, where there is reasonable doubt as to their full recovery (principal and interest) on the terms agreed contractually, although circumstances are not yet such that they should be classified as delinquent or doubtful debts on the grounds of client non-payment, as well as off-balance sheet exposures not classified as doubtful on the grounds of the client's non-payment where payment by the Bank is probable and recovery doubtful.

  This category includes, among other things, transactions whose counterparties are in situations that represent an impairment of their solvency.

  Refinancing, refinanced or restructured transactions are analysed to determine whether or not they should be classified in the doubtful risk category. As a general rule, refinancing, refinanced or restructured transactions that are based on an inadequate payment plan or which include contractual clauses that delay the repayment of the transaction through regular instalments are classified as doubtful risks due to reasons other than non-payment.

- Risk in delinquency: This category includes debt instruments, whether or not due, whose recovery is considered to be remote after an individualized analysis due to the notable impairment or the unrecoverable decline in the solvency of the transaction or the counterparty. Classification in this category is linked to the full write off of the gross carrying amount of the transaction and its complete elimination from assets.

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

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

- A specific hedge calculated on an individual basis for financial instruments: That is the cumulative amount of hedges arranged for doubtful assets individually estimated.

- A specific hedge calculated on a collective basis for financial instruments: That is the cumulative amount of hedges arranged for doubtful assets collectively estimated with no significant amounts. These instruments have been individually impaired and the Group applies to them an statistical method. The specific hedge is made in accordance with the default Schedule´s minimun hedges established by Spanish Central Bank Circular 4/2004 in Schedule IX.

- A general hedge to cover inherent losses but not reported: these are understood to be those losses incurred at the date of the financial statements that have yet to be assigned to specific transactions. This general hedge is made in accordance with the methods established by Spanish Central Bank Circular 4/2004 in Schedule IX for those instruments classified as normal or sub-prime.

Debt instruments classified as doubtful with respect to which specific value adjustments have been made, estimated individually or collectively, shall be reported as impaired assets and the remaining debt instruments as non-impaired assets, even though they form part of groups of assets.

Individual or collective hedges of doubtful transactions due non-payment by the counterparty should not be lower than the generic coverage that would correspond to being classified as normal risk in special surveillance.

On April 27, 2016, the Bank of Spain issued Circular 4/2016, which amended Circular 4/2004, dated December 22, to credit institutions, on public and confidential financial information standards and models of financial statements, and Circular 1/2013, of May 24, about the Central of Information of Risks. The objective of this Circular is to update Circular 4/2004, mainly from its Annex IX, to adapt it to the latest developments in banking regulation, maintaining its compatibility with the IFRS accounting framework.

The changes made to Annex IX by means of this Circular aim to enhance application of the prevailing accounting regime by reinforcing the criteria affecting: i) credit risk management policies, methodologies and procedures, specifically including those related to guarantees or collateral received, in respect of accounting-related matters; ii) the classification of transactions as a function of credit risk for accounting purposes; and iii) estimated loan-loss provisions calculated individually and collectively. The newly-worded Annex also introduces criteria for estimating the recoverable amount of assets foreclosed or received in lieu of debt repayment.

In 2016, the Group reviewed its internal impairment calculation methodologies, prompting it to reinforce the criteria and information used to determine individual and collective loan-loss provisions in keeping with IAS 39 and factoring in that stipulated in Annex IX of Bank of Spain Circular 4/2004 following effectiveness of Bank of Spain Circular 4/2016. The Group has used internal models to estimate its loan-loss provisions. Using data as at 30 September 2016, the Group estimates that the use of internal models relative to the former Annex IX rules had an impact on loan-loss provisions equivalent to a recovery of €184.1 million.

When calculating the impairment of its loan portfolio the Group follows the criteria established by Bank of Spain Circular 4/2004, as amended by Circular 4/2016, and therefore complies with the criteria established by International Accounting Standard 39 (IAS 39) for financial instruments and International Accounting Standard 37 (IAS 37) for financial guarantees and irrevocable loan commitments.

The Group has established periodic procedures for checking the reliability and coherence of the results of its collective loan-loss estimation models which take the form of retrospective tests that assess their accuracy by comparing the losses estimated with the actual losses subsequently observed on the related transactions.

- **Country risk**

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

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

The Group will recognize assets received in lieu of payment of debt at the lower of the carrying amount of the financial assets applied, i.e. their amortized cost less estimated impairment, and their fair value at the time of foreclosure or receipt of the asset, less estimated selling costs. The net amount of both items will be considered to be the initial cost of the asset received.

Real estate assets that are foreclosed or received in lieu of payment of debt will be measured at the time of foreclosure or receipt based on the market value of reference obtained through complete individual appraisals. Those values will subsequently be updated in accordance with the content of Appendix IX of Bank of Spain Circular 4/2016.

The Group will calculate the difference between the carrying amount of the foreclosed asset and its fair value, less selling costs, when determining the amount of impairment at a date after foreclosure or receipt in lieu of payment.

Impairment losses are recognised in "Gains/(losses) on non-current assets and disposal groups classified as held for sale that do not qualify as discontinued operations" in the consolidated statement of profit or loss, calculated individually for those that continue to be held after the deadline initially established for their sale.

3.4. Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.6. Financial guarantees

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

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

When the Group issues this type of contract, they are recognised under the heading "Financial liabilities at amortised cost - Other financial liabilities" on the liability side of the consolidated balance sheet at fair value, plus transaction costs that are directly attributable to their issue (Note 7.8.6) and, at the same time, under the heading "Loan investments - Customer loans" Note 7.6.2) at the present value of future outstanding cash flows to be received by using, for both items, a discount rate similar to financial assets granted by the Group to a counterparty with a similar term and risk.

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

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

3.7. Non-current assets held for sale

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

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

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

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

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

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

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

As detailed in note 3.3, in the process of reviewing internal methodologies for the calculation of impairment, assets from the adjudication or acquisition by other means of debt recovery, recorded mainly as non-current assets held for sale and under the heading of inventories (note 3.24) has been included. This change in accounting estimates has been recorded prospectively and has had no significant effect on the consolidated results for the year or on the Group's equity.

3.8. Property, plant and equipment

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

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

The cost of the property, plant and equipment include the payments made, both at the time of their acquisition and production, and subsequently if there is any expansion, replacement or improvement, it is considered likely to obtain future profits from their use. In accordance with the provisions of IFRS 1 and section B).6 of Transitional Provision One of Circular 4/2004 and subsequent amendments, regarding the first-time application of this Circular, the cost of acquisition of property, plant and equipment for its use that is freely available, including their fair value appraisal at 1 January 2004, which is its attributed cost at that date. That fair value at 1 January 2004 was obtained based on independent expert valuations. Property, plant and equipment deriving from business combinations are stated at fair value at the date of the combination, and that is its new attributed cost (Notes 3.23).

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

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

	Useful life (years)	Annual depreciation rate
Buildings	50	2%
Furnishings	3-10	10% - 33%
Plant	4-13	8% - 25%
Data-processing equipment	3-8	12.5% - 33%
Vehicles	5-10	10% - 20%

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

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

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

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

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

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

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

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

3.9. Intangible assets

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

Computer software acquired

Computer software acquired is initially recognised at cost and subsequently at cost less accumulated amortisation, when appropriate, and any impairment loss. The years of useful life and amortisation rates used by the Group are 3 and 6 years and between 33% and 16.6%, respectively.

Computer software developed internally

The computer software developed internally is recognised as intangible assets when, among other things, basically the capacity to use them or sell them, those assets may be identified and their capacity to generate profits in the future can be demonstrated. The expenses incurred during the research phase are recognised directly in the consolidated income statement in the year incurred, and they cannot be subsequently taken to the carrying value of the intangible assets. The years of useful life and amortisation rates used by the Group are 3 and 6 years and between 33% and 16.6%, respectively.

Administrative concessions

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

Goodwill

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

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

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

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

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

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

Losses for impairment of goodwill it cannot subsequently be reversed.

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

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

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

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

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

At 31 December 2016 the Group recognizes intangible assets with an indefinite useful life, i.e. goodwill on business combinations resulting from the merger process carried out in 2012 between Cajas Rurales Unidas, Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito (Note 12).

3.10. Leases

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

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

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

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

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

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

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

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

3.11. Foreign currency transactions

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

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

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

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

3.12. Other provisions and contingent liabilities

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

- A legal or contractual requirement.

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

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

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

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

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

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

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

At the 2016 and 2015 year-end, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. The Entity's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they finalise.

3.13. Promotion and Education Fund

There may be two types of allocations that the Credit Cooperatives pertaining to Grupo Cooperativo Cajamar may make to the Education and Promotion Fund (EPF) or the Cooperative Promotion and Training Fund (CPTF), which are the names of the national and Valencia region regulations, respectively:

• Mandatory allocations which are recognized as an expense for the year.

• Additional allocations which are recognized as an application of profits.

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

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

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

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

3.14. Asset Swaps

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

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

3.15. Minimum capital requirement

On 1 January 2014 a new regulatory framework, Basilea III, came into force governing the minimum capital that must be held by Spanish credit institutions, both individually and on a consolidated basis, the method for calculating such capital and the various internal capital adequacy assessment processes to be conducted, as well as the public information they must disclose to the market. This regulatory framework is composed of:

- European Parliament and Council Directive 2013/36/EU(CRD-IV) of 26 June relating to access to the business of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 202/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

- European Parliament and Council Regulation (EU) 575/2013 (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, which amended Regulation (EU) 648/2012.

The Grupo Cooperativo Cajamar, as a Spanish credit institution, is subject to Directive CRD-IV, whereby the European Union implemented the capital regulations provided by the Basel III Accords issued by the Basel Committee on Banking Supervision. In Spain, the new European regulations will be brought into Spanish legislation by 1 January 2019, in two phases. Phase one consisted of the publication of Royal Decree-Law 14/2013 (29 November) on urgent measures to bring Spanish law into line with European Union regulations on the supervision and solvency of financial institutions, addressing the most urgent aspects. As authorised by the Royal Decree-Law, the Bank of Spain approved Circular 2/2014 (31 January) on the exercise of various regulatory options contained in Regulation (EU) No. 575/2013 (Circular 2/2014), determining the non-transitional and transitional national options chosen for application by credit institutions as from the effective date of the regulations in January 2014. Subsequently, the circular was modified as regards the treatment of the deduction for intangible assets during the transitional period, by Bank of Spain Circular 3/2014 (30 July).

The current Regulation lays down consistent standards for general prudential requirements that must be fulfilled by institutions in connection with:

- Capital requirements relating to credit risk exposures, market risk, operational risk and settlement risk.

- Requirements aimed at limiting major exposures.

- Liquidity requirements relating to fully quantifiable, consistent and standardised liquidity risk components.

- Reporting requirements on the above components and on leverage.

- Public disclosure requirements.

In phase two, Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions (Law 10/2014), which laid the foundations for the full transposition of Directive 2013/36/EU. Subsequently, in February 2015, Royal Decree 84/2015 (13 February) was published, developing Law 10/2014 (Royal Decree 84/2015).

On 9 December 2015, Bank of Spain Circular 2/2016 (2 February) was published on supervision and solvency, its essential purpose, in connection with credit institutions, being to transpose Directive 2013/36/EU into Spanish law. It also contains one of the options attributed by Regulation (EU) No. 575/2013 to the competent national authorities in addition to the options already exercised by the Bank of Spain in Circular 2/2014.

The circular also develops some aspects of the transposition of Directive 2011/89/EU of the European Parliament and of the Council (16 November 2011), which amended Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC in relation to the additional supervision of financial institutions forming part of a financial conglomerate.The fundamental aspects of this directive have already been transposed through amendments brought in by Law 10/2014 and by Royal Decree 84/2015, respectively, to Law 5/2005 (22 April) on the supervision of financial conglomerates, which also amended other financial sector laws, and to Royal Decree 1332/2005, which developed Law 5/2005.

When applying these regulations, the guidelines issued by the Bank of Spain itself and guidelines issued by international bodies and committees actively regulating and supervising banks, such as the European Banking Authority, that are adopted by the Bank of Spain, must be taken into consideration.

In parallel to these regulatory developments, in Europe there has been a drastic change in the model applied to supervise credit institutions. The approval of Regulation (EU) No. 1024/2013 of the Council (15 October) 2013, which entrusts specific tasks to the European Central Bank (ECB) in connection with policies for the prudential supervision of credit institutions (Regulation (EU) No. 1024/2013), entailed the creation of the Single Supervisory Mechanism (SSM), comprising the ECB and the competent national authorities, including the Bank of Spain.

The SSM is one of the pillars of the Banking Union, together with the recently created Single Resolution Mechanism and a harmonised deposit guarantee scheme still in the development phase. The three pillars are based on two sets of regulations applicable to all the Member States: capital requirements for credit institutions (Regulation (EU) No. 575/2013 and Directive 2013/36/ EU) and the provisions on the restructuring and resolution of credit institutions and investment firms (Directive 2014/59/EU).

Regulation (EU) No. 1024/2013 attributes to the SSM and, in particular, to the ECB, direct supervision functions with respect to the significant supervised entities and indirect supervision of the less significant institutions, as per the definition provided in the regulation.

Bank of Spain Circular 2/2016 (2 February) includes a definition of competent authority, which will be the ECB or the Bank of Spain, as per the allocation and distribution of competences stipulated in Regulation (EU) No. 1024/2013 and completed by Regulation (EU) No. 468/2014 from the European Central Bank (16 April 2014), establishing an SSM cooperation framework between the ECB, the competent national authorities and the designated national authorities. In general terms, the entry into force of the SSM entails the reassignment of supervisory responsibilities from the national arena to the ECB. Since 4 November 2014, the ECB has been responsible for direct supervision of the significant entities and the Bank of Spain for direct supervision of the less significant institutions. Additionally, other supervisory functions not attributed to the ECB, and supervision of certain institutions not included in the definition of a credit institution, are still performed by the Bank of Spain.

Under the requirements set out in Regulation CRR, credit institutions must comply with a total capital ratio of 8% at all times. However, it should be noted that the regulators may exercise their powers under the new regulatory framework and require institutions to maintain additional capital levels (Note 18).

EU Regulation 575/2013 stipulates that the competent authorities may fully or partially exempt entities belonging to consolidated groups from the obligation to comply individually with the requirements of this Regulation. In this respect the Spanish Central Bank's Executive Committee recognised Grupo Cooperativo Cajamar as an Institutional Protection System and consolidable group of credit institutions, exempting the Group entities from the fulfilment of individual solvency requirements.

3.16. Commissions

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

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

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

3.17. Deposit Guarantee Fund

The Group forms part of the Deposit Guarantee Fund for Credit Institutions, regulated by Royal Decree-Law 16/2011 (15 October).

The legal regime governing the Deposit Guarantee Fund for Credit Institutions is developed in Royal Decree 2606/1996 (20 December) on deposit guarantee fund in credit institutions, as worded by Royal Decree 1012/2015 (6 November), which develops Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment firms, amending Royal Decree 2606/1996 (20 December) on deposit guarantee funds for credit institutions.

Royal Decree 1012/2015 (6 November) amended, among other regulations, Article 4 of Royal Decree 2606/1996, which defines the deposits, securities and other financial instruments deemed to be covered by the Deposit Guarantee Fund, and Article 7.1 to extend the deposit guarantee to accrued interest.

Additionally, Final Provision Ten of Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment firms amended Article 10.1 of Royal Decree-Law 16/2011 (14 October), which created the Deposit Guarantee Fund for Credit Institutions, in order to treat deposits that fulfil certain conditions as guaranteed, irrespective of their amount, for three months as from the moment the amount is paid or as from the moment the deposits become legally transferable.

Final Provision One of Royal Decree 2606/1996 authorises the Bank of Spain to develop technical accounting matters relating to guaranteed deposits and securities, while Final Provision Three of Royal Decree 948/2001 (3 August) on investor indemnity schemes authorises the Bank of Spain to determine the valuation approach to be applied to the different types of unlisted securities and financial instruments that must be included in the calculation base of annual contributions to the Deposit Guarantee Fund for Credit Institutions.

As indicated, the Bank of Spain approved Circular 4/2001 (24 September) on member entities of a deposit guarantee fund, containing information on the balances that form the calculation base of contributions to deposit guarantee funds and on the amounts guaranteed. In addition to addressing the technical accounting matters referred to in Royal Decree 2606/1996 and Royal Decree 948/2001, this Circular stipulates the information that member entities and branches must submit annually to the Bank of Spain for the purposes of calculating the contributions.

Additionally, on 24 December 2015, Bank of Spain Circular 8/2015 (18 December) was published, for entities and branches that are members of the Deposit Guarantee Fund for Credit Institutions, on information to determine contribution calculation bases, establishing two compartments: “Deposit guarantee compartment”, which will relate to deposits guaranteed under Royal Decree 2606/1996; and “Securities guarantee compartment”, regulated by the same Royal Decree, the calculation base being 5% of guaranteed securities. The Deposit Guarantee Fund's Management Committee determined the annual contributions to be made by member entities for 2015, as follows: Annual contribution to the deposit guarantee compartment equal to 0.16% of the existing calculation base defined in accordance with Article 3.2 of Royal Decree 2606/1996; and annual contribution to the securities guarantee compartment equal to 0.2% of the existing calculation base defined in accordance with Article 3.2 of Royal Decree 2606/1996.

Bank of Spain Circular 5/2016 was published on 27 May 2016 and amends the allocation criteria to the categories indicated in the preceding paragraph, such that in accordance with Directive 2014/49/EU of the European Parliament and Council of 16 April 2014, the allocations made by member entities must be based on the amount of hedged deposits and the degree of risk exposure, taking into account indicators such as capital adequacy, the quality of the assets and liquidity.

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

When the Deposit Guarantee Fund's assets are sufficient to fulfil its purpose, the Ministry of Finance, at the proposal of the Bank of Spain, may resolve to reduce the contributions. In any event contributions will be suspended when the Fund's assets not committed to operations forming part of the Fund's objects are equal to or exceed 1% of the calculation base of forecast contributions.

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

In addition, with a view to maintaining the financial health of the Credit Institutions' Deposit Guarantee Fund, so that it can fulfil its role in stabilising the Spanish financial system, Royal Decree-Law 6/2013, of 22 March, stipulates a special one-time contribution to the fund of 0.003% of eligible deposits. This contribution will be made in two instalments. The first, equivalent to 40% of the total, for which the fund may agree a series of deductions related to the size of the contributing entities, their contributions to SAREB, Spain's so-called bad bank, or the receipt of public aid. The second tranche, covering the remaining 60%, will be payable starting in 2014 and over a maximum period of seven years, in keeping with the payment schedule set by the fund's Management Committee. Subsequently, on December 23 a statement was issued by the Directorate General for Regulation and Financial Stability of the Spanish Central Bank indicating that the Management Committee of the Deposit Guarantee Fund for Credit Institutions had issued the final schedule of payments relating to the second tranche of the contribution provided for in Royal Decree Law 6/2013.

In 2016 and 2015, expenditure incurred in respect of (ordinary and additional) contributions by Group Entities to the Fund totaled € 39,960 thousand and € 30,681 thousand, respectively, and is recognized in the item "Other operating expenses - Contribution to the Deposit Guarantee Fund" in the accompanying consolidated income statement (Note 25).

3.18. Income tax

The corporate income tax expense is determined by tax payable calculated with respect to the tax base for the year, taking into account the variations during that year deriving from temporary differences, deductions and credits and tax losses.

Income tax expense is recognised in the consolidated income statement except when the transaction is recorded directly under equity in which the deferred tax is recognised as an additional equity item.

In order for deductions, credits and tax-loss carry forwards to be effective they must comply with the requirements established by current legislation.

The tax effect of any timing differences is included, in the event that the relevant deferred tax assets or liabilities under "Deferred tax assets" and "Deferred tax liabilities" on the accompanying consolidated balance sheet. These relate to those taxes that are expected to be payable or recoverable for the differences between the amounts per books of the assets and liabilities in the financial statements and the related taxable bases, and are quantified by applying to the relevant timing difference or credit the tax rate at which it is expected to be recovered or settled.

The tax rate applicable in 2016 and 2015 was the reduced 25% rate for cooperative profits and the general 30% rate for non-cooperative profits (Note 14).

Law 27/2014 on corporate income tax came into force on 28 November 2014, except for final provisions four to seven, which came into force on 29 November 2014, and will be effective for fiscal years commencing as from 1 January 2015.

The main potential impacts of Law 27/2014 as concerns the financial statements at 31 December 2014 are as follows:

- Tax credits for tax losses pending offset at 1 January 2015 may be applied in the following fiscal years without any time limit,

- The standard tax rate has decreased from 30% to 25%. However, the Law provides that financial institutions and their tax consolidation groups will maintain a tax rate of 30%, Cooperatives will continue applying the reduced rate of 25% for cooperative revenues and the general rate of 30% for non-cooperative income.

- In general, the integration of monetised deferred tax assets into taxable income and the offsetting of tax losses is limited to 25% for 2014 and 2015, 60% for 2016 and 70% for 2017 and subsequent years, However, in the case of cooperatives, the limitation on the offsetting of tax losses comes into effect from 1 January 2015.

On 3 December 2016 Royal Decree-Law 3/2016 was published, which adopts measures in the tax field aimed at consolidating public finances and other urgent social measures. In relation to Corporate Income Tax, the main reforms introduced were as follows:

- New criteria apply to the deductibility of losses incurred in the transfer of shares and a mechanism for reversing those impairments of shareholdings that were tax deductible in tax periods prior to 2013 is incorporated.

- A new regulation of the limit is introduced to the compensation of negative tax bases for large companies, With effect from 2016, the offsetting of negative tax bases for fiscal years is limited in the following percentages: entities with a net turnover of at least 60 million euros, 25% of the tax base; Entities with a net turnover of at least 20 million but less than 60 million, the 50% of the tax base.

This Royal Decree Law has not had a significant impact on the Group's financial statements.

Additionally, on 16 February 2016, the ICAC Ruling which develops the standards for the recognition, measurement and preparation of annual accounts to reflect income tax was published in the Official State Gazette. This ruling came into force on 17 February 2016 for annual accounts covering periods that commence on or after 1 January 2015.

On the basis of the projections contained in the Group’s business plan and future projections prepared using parameters similar to the ones included in the plan, as well as legislation currently in force, the Group expects to recover non-monetizable deferred assets arising from tax credits and tax credits for tax-loss carryforwards in the coming 10 years.

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

3.19. Recognition of revenue and expense

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

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

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

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

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

- Those related to financial assets and liabilities measured at fair value through the income statement are recorded at the time of collection.
- Those that relate to transactions or services which are carried out over a period of time are recorded in the period in which such transactions or services take place.
- Those relating to a transaction or service performed in a single act are recorded when such act takes place.

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

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

3.20. Staff costs and post-employment remuneration

Short-term compensation

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

Post-employment remuneration

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

- **Defined contribution plan**

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

- **Defined benefit plan**

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

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

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

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

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

  The figure obtained as indicated above is recorded in the account "Pension and similar obligations" under the heading "Provisions" in the accompanying consolidated balance sheets, if positive, or under "Other assets" if negative (Notes 13 and 15).

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

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

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

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

  - The current service cost is recognised within personnel expenses.
  - The net interest on the liability is recognized as interest expense and similar charges.
  - The net interest on the asset is recognized as interest and similar income.
  - The past service cost is recognized as a charge to provisions (net).
  - When the entity has recognised under assets a pension related insurance contract, the expense for the year related to the defined benefit plan is recognised at the amount recognised in the year as reimbursable.

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

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

Other long-term remuneration for the benefit of employees

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

Severance benefits

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

Pension commitments entered into by the Group

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

The employees of the Parent Entity and Cajamar are covered by a pension plan governed by the Regulation dated 23 December 1993, adapted to Law 8/1987 on the Regulation of Pension Plans and Funds, called “Fondo Cajamar VI, Fondo de Pensiones”, and Cajamar Vida, S.A. de Seguros y Reaseguros is the management company and Cajamar the custodian of the fund, The plan was created in 2014 through the transformation of Cajamar's pension plan into a joint promotion plan for both the Savings Bank and Banco de Crédito Social Cooperativo, and a group of participants subrogated to that plan as a result of the transfer of Cajamar's Central Services to the Bank.

Since 1 January 2016 the rest of the savings banks pertaining to the Group have joined the pension plan and therefore it was transformed into a joint promotion plan with 20 co-promoters.

At present, the Group has taken out insurance policies with Generali and Cajamar Vida, S.A. de Seguros y Reaseguros to cover situations in which the required contribution is higher than the limit for pension funds. In addition, the commitments assumed with the Group employees originating from various banking entities from which the Group acquired a portion of their branch networks and certified to have been working for these entities since before 8 March 1980 have been underwritten by the Group with insurer Rural Vida, S.A. de Seguros y Reaseguros.

The Group has assumed defined contribution commitments for all employees that comply with the requirements established by the Plan’s Regulations and the contribution varies based on the originating group and the length of membership in the plan. There are also certain supplementary contributions based on the participants’ length of membership in the plan whose consolidated rights do not exceed an established minimum.

The defined benefit commitments recognized are:

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

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

- Payments in the event of death or total disability (€23.32 thousand), workplace accident (€46.64 thousand) or certified major disability (€100.93 thousand) for all Entity employees.

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

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

The Group had not entered into commitments in respect of terminations other than those provided for in the Plan at either 31 December 2016 or 2015.

On 31 December 2016 and 2015, actuarial studies have been carried out relating to the coverage of the main post-employment compensation, using the projected credit unit calculation method. The main assumptions used in the actuarial studies, both for retired and early-retired personnel are presented in detail below for each credit institution:

Actuarial assumptions used by Grupo Cooperativo Cajamar

	2016		2015	
	Activos	**Early retirees**	**Activos**	**Early retirees**
Mortality tables	PERM/F 2000	PERM/F 2000	PERM/F 2000	PERM/F 2000
Disability tables (only for risk benefits)	Not applicable,	Not applicable,	Not applicable,	Not applicable,
Retirement age				
Pension plan	Earliest age	Starting at 58	Earliest age	Starting at 58
Bank collective	Earliest age	Starting at 58	Earliest age	Starting at 58
Technical annual effective interest rate:				
Pension plan	1.63%	0.30%	1.96%	0.55%
Bank collective	1.63%	0.30%	1.96%	0.55%
Asset yield:				
Pension plan	1.63%	-	1.96%	-
Bank collective	1.63%	-	1.96%	-
Salary evolution (including slides)	3.00%	1.50% - 2.00%	3.00%	1.50% - 2.00%
Consumer price index increases (CPI)	2.00%	-	2.00%	-
Increases in pensions	75% salary evolution	-	75% salary evolution	-
Maximum social security pension (thousand euro)	36	36	35.8	35.8
Annual revaluation of the maximum monthly social security pension	1.50%	-	1.50%	1.50%
Annual increases in the social security contribution bases	2%	-	2%	-

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

	Expected yield from the assets	
	2016	**2015**
Pension plan	1.63%	1.96%
Banking	1.63%	1.96%
Early retirees	0.30%	0.55%

3.21. Off-balance sheet customer deposits

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

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

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

3.22. Consolidated cash-flow statement

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

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

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

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

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

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

3.23. Business combinations

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

- Of equity instruments in another company.

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

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

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

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

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

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

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

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

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

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

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

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

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

- The acquiring company will include in its financial statements, or the consolidated accounts, the assets, liabilities and contingent liabilities of the acquired company, including the intangible assets not recognised by the latter, that on that date complies with the requirements to be recognised as such, measured at fair value calculated in accordance with the valuation criteria indicated in the Spanish Central Bank Circular 4/2004 (December 22) and subsequent amendments.

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

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

    - When positive, such as goodwill in assets which, in any event, will be amortised but on an annual basis will be subjected to the impairment test established in Standard 30 of Spanish Central Bank Circular 4/2004 (December 22) and subsequent amendments.

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

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

The deferred tax assets that at initial recognition do not satisfy the criteria for being recognised as such, but do at a subsequent date, will be recognised as revenue in accordance with Standard 42 of Spanish Central Bank Circular 4/2004 (December 22) and subsequent amendments and, simultaneously, an expense will be recorded to reduce the carrying value of goodwill to the amount that would have been recognised of the tax asset had been recorded as an identifiable asset at the acquisition date.

3.24. Inventories

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

- Maintains for sale during the ordinary course of its business.

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

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

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

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

Decreases in and, if applicable, subsequent recoveries of the net realisable value, below their carrying amount, are recognised in the consolidated income statement in the year they are incurred, in the caption “Impairment losses (net) – Other assets” (Note 15).

As detailed in note 3.3, in the process of reviewing internal methodologies for the calculation of impairment, assets from the adjudication or acquisition by other means of debt recovery, recorded mainly as non-current assets held for sale and under the heading of inventories (Note 3.24) has been included. This change in accounting estimates has been recorded prospectively and has had no significant effect on the consolidated results for the year or on the Group's equity.

3.25. Insurance Policies

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

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

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

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

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

3.26. Statement of changes in equity

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

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

Statement of income and expenses recognised

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

Statement of total changes in equity

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

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

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

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

3.27. Fair value of financial instruments

Fair value of financial assets

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

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

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

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

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

Fair value of financial liabilities

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

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

Measurement of financial instruments at fair value:

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

The following tables present the fair value of the Cooperative Group's financial instruments at 31 December 2016 and 31 December 2015, broken down by class of financial assets and liabilities and the following levels:

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

  The Entity will treat financial instruments for which listed prices may be directly observed and are accessible as level-1 financial instruments. In this regard, this category will include all instruments having a Bloomberg (BGN) price or a value in active markets, including the European Stock Exchanges and the AIAF, SENAF and MEFF.

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

  The Entity will include instruments the value of which depends on information directly observable in markets, but that do not qualify as level-1 assets, as level-2 financial instruments.

  Level-2 assets will include:

  - Instruments for which internal or external values may be obtained, based solely on observable market inputs: interest-rate curves, credit risk spreads, yields, implied volatilities, etc, Examples of such external values are Bloomberg's Bval and Bfv tools.

  - Instruments for which prices may be obtained for at least two contributors with sufficient market depth, other than the issuer, and that have bid/ask spreads of less than 500 bps.

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

  The Entity will treat instruments the value of which cannot be obtained as described above for the measurement of level-1 and level-2 instruments as level-3 financial instruments.

  Level-3 assets are measured applying the following or other similar procedures: Issuer prices, comparable prices. Custodian prices and Internal prices.

The table of consolidated financial assets and liabilities at fair value at 31 December 2016 is as follows:

2016	Thousand euro							
			Fair value hierarchies			Accumulated change in fair value before taxes		
	Balance in balance sheet	*Of which: Measured at fair value*	**Tier 1**	**Tier 2**	**Tier 3**	**Tier 1**	**Tier 2**	**Tier 3**
Assets held for trading (Note 7.3)	**913**	**913**	**-**	**913**	**-**	**-**	**702**	**-**
Financial assets at fair value through profit or loss (Note 7.4)	**93,590**	**93,590**	**-**	**-**	**93,590**	**-**	**-**	**(247)**
Available-for-sale financial assets (Note 7.5)	**4,172,155**	**4,172,155**	**3,583,409**	**498,506**	**90,240**	**(1,610)**	**23,784**	**5,521**
Equity instruments	*195,498*	*195,498*	*123,376*	*-*	*72,122*	*(2,485)*	*-*	*5,291*
Debt securities	*3,976,658*	*3,976,658*	*3,460,033*	*498,506*	*18,118*	*874*	*23,784*	*230*
Loans and receivables	**29,810,807**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Hedging derivatives (Note 8)	**10**	***10***	**-**	**10**	**-**	**-**	**25**	**-**
Total Assets	**34,077,475**	**4,266,669**	**3,583,409**	**499,429**	**183,830**	**(1,610)**	**24,511**	**5,274**
Liabilities held for trading (Note 7.3)	**437**	**437**	**-**	**437**	**-**	**-**	**(316)**	**-**
Financial liabilities designated at fair value through changes in profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Hedging derivatives (Note 8)	**647**	**647**	**-**	**647**	**-**	**-**	**135**	**-**
Total Liabilities	**1,084**	**1,084**	**-**	**1,084**	**-**	**-**	**(180)**	**-**

The table of consolidated financial assets and liabilities at fair value at 31 December 2015 is as follows:

2015	Thousand euro							
			Fair value hierarchies			Accumulated change in fair value before taxes		
	Balance in balance sheet	*Of which: Measured at fair value*	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Assets held for trading (Note 7.3)	603	603	-	602	1	-	79	-
Financial assets at fair value through profit or loss (Note 7.4)	46,115	46,115	-	-	46,115	-	-	(251)
Available-for-sale financial assets (Note 7.5)	504,144	504,144	392,712	18,422	93,010	(3,154)	460	(8,354)
Equity instruments	*180,643*	*180,643*	*120,329*	*-*	*60,314*	*(1,619)*	*-*	*4,421*
Debt securities	*323,501*	*323,501*	*272,383*	*18,422*	*32,696*	*(1,535)*	*460*	*(12,775)*
Loans and receivables	30,440,253	5	-	5	-	-	-	-
Hedging derivatives (Note 8)	19,840	19,840	-	19,840	-	-	8,684	-
Total Assets	31,010,955	431,582	392,712	38,869	139,126	(3,154)	9,223	(8,606)
Liabilities held for trading (Note 7.3)	168	168	-	168	-	-	(74)	-
Financial liabilities designated at fair value through changes in profit or loss	-	-	-	-	-	-	-	-
Hedging derivatives (Note 8)	1,359	1,359	-	1,359	-	-	(43)	-
Total Liabilities	1,527	1,527	-	1,527	-	-	(117)	-

3.28. National Resolution Fund and Single Resolution Fund

Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment firms provides for the creation of a “National Resolution Fund”, as one of the mechanisms for funding the measures stipulated in that law. The relevant portion of the National Resolution Fund is to be transferred to the “Single Resolution Fund”, in the amount and form stipulated by Regulation (EU) No. 806/2014.

Regulation (EU) No. 806/2014 of the European Parliament and of the Council (15 July) regulates the entry into operation of the Single Resolution Fund. Fund administration and thecalculation of the contributions to be made by the entities, pursuant to Article 2 of theRegulation, will be performed by the Single Resolution Board.

Contributions are based on:

- A lump-sum contribution, or base annual contribution, calculated pro-rata with respect to the amount of the entity's liabilities, excluding own funds and covered deposits, in relation to the total liabilities.

- A risk-adjusted contribution based on the criteria stipulated in Article 103.7 of Directive (EU) No, 59/2014.

In order to determine the annual contribution, the Board will apply the methods laid down in Article 70.6 of Delegated Regulation (EU) No. 63/2015, of Regulation (EU) No. 806/2014 and Implementing Regulation (EU) No. 81/2015. The methodology provided by these regulations requires entities subject to the obligation to communicate the information required using official forms, through the FROB (Fund for Orderly Bank Restructuring).

The National Resolution Fund's financial resource will be raised by the FROB through ordinary contributions, as stipulated in Article 1.2.a) of Law 11/2015.

Regulation 806/2014 of the European Parliament and Council of 15 June 2014 entered into force on 1 January 2016. By virtue of this legislation the Single Resolution Board replaces the National Resolution Authorities in the management of the financing instruments for the resolution mechanisms for credit institutions and certain investment service companies within the framework of the Single Resolution Mechanism. As a result, the Single Resolution Board assumes authority over the administration of the Single Resolution Fund, as well as the calculation of the contributions corresponding to each entity within its scope of application.

At end-2016, the Group's credit institutions record expenditure of €6,728 thousand in respect of ordinary contributions to the Single Resolution Fund (€8,591 thousand at end-2015). The expense is recognised in the item “Other operating charges - Contribution to the Deposit Guarantee Fund” in the accompanying consolidated income statement (Note 25).

4. Errors and changes in accounting estimates

In 2016 and up to the date the consolidated annual accounts were prepared, there have been no error or change in accounting estimates that, due to their relative importance, had to be included in the annual accounts prepared by the Governing Body.

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

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

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

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

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

5. Distribution of results

The proposal for the distribution of 2016 profits that the parent entity's Board of Directors will submit to the Annual General Meeting for approval, together with the proposal already approved for 2015, is as follows:

	Thousand euro	
	2016	**2015**
Profit for year after corporate income tax	**20,984**	**21,356**
Share premium account	-	6,999
Dividends	(9,931)	-
Total distributable or available surplus	**11,053**	**28,355**
Legal reserve	2,099	836
Other reserves	8,954	-
To prior year losses	-	27,191
To negative reserves for origination expenses	-	328
Total distributed	**11,054**	**28,355**

The proposal for 2015, and the subsequent distribution, was approved by the General Meeting of Shareholders of Banco de Crédito Socail Cooperativo on 10 May 2016.

6. Risk management

This section is intended to describe the various financial risks faced by the Entity and, as a result, by the Group, deriving from its banking activity as well as the objectives and policies relating to risk management, assumption, measurement and control, including the strategies and processes, the structure and organisation of the relevant risk management unit and hedging policies, broken down for each of the main types of financial instruments or planned transactions for which accounting hedges are used.

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

6.1. Corporate risk culture: general risk management principles

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

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

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

6.2. Credit risk and credit concentration risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  To its Executive Committee, the approval of credit operations that cannot be resolved by subordinate bodies but must be resolved before the next Governing Board meeting.

  The CEO has been delegated the authority to approve transactions raised by the Investment Committee and which, falling under the authority of the Board of Directors or the Executive Committee, must be approved before the next meeting of the Board of Directors or the Executive Committee. In these cases, the transactions will be presented during the first meeting of the Board of Directors or Executive Committee that takes place, so that the matter may be heard and ratified and the delegated authority controlled.

The application of this delegation principal means that the Board of Directors of the Parent Entity defines the following outline for the approval of amendments to the Credit Risk Manual:

Part of the manual affected by the amendm	Competent body	Process
Preliminary chapter Chapter one	BCC Board of Directors	At its own initiative or at the proposal of the CEO
Chapter two	BCC Executive Committee	
Chapter three Chapter four	Managing Directors:	Justified proposal by Investment Department Control Department opinion Report to the Board Risk Committee
Chapter five Exhibit 1	Overall Risk Control Department	At its own initiative, reporting to the Investment Department Report to the Board Risk Committee
Appendix 2	Investment Department	Will be maintained up to date

- **<u>Principle of effectiveness</u>**: The management of the credit risk must be effective in terms of responding to the needs of the network and customers. The credit risk management processes will therefore attain a balance between ensuring strict risk selection practices and a quick and firm response for customers.

  The Parent Entity will ensure the effectiveness of its processes, applying automation and standardization to the procedures as much as possible while maintaining channels that allow exceptions to provide a flexible response to customer needs.

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

- **Regarding the risk acceptance policy:**
  - <u>Diversification</u>. The Group's credit portfolio must be suitably diversified and show the lower possible degree of correlation with overall non-compliance.
  - <u>Credit quality</u>. Criteria for approving operations must depend basically on the borrower's capacity to fulfil financial obligations in due time and form, based on revenue from a business or habitual source of income. Nonetheless, personal or real property guarantees must be sought to secure recovery as a secondary course of action, when the primary procedure has failed.
  - <u>Operational security</u>. Loans must be arranged through a secure procedure which guarantees that agreements concluded have full legal effect and faithfully reflect the applicable terms and conditions.
  - <u>Yields</u>. Loans must have yields that match the inherent risk.
- **Regarding the loan loss oversight and prevention policy:**
  - <u>Relative importance</u>. Actions to prevent loan losses must be graduated on the basis of the harm that could be caused to the Group's results by default, seeking a reasonable balance between the cost and benefits of the control procedure. In order to achieve this objective, criteria must be defined to control all borrowers representing significant exposures, for which oversight and control actions must be intensified.
  - <u>Anticipation</u>. Actions to prevent loan losses must be implemented sufficiently in advance in order to assess and optimise management of loan recovery options. This entails defining a borrower rating system that defines the risk policy to be implemented when certain alerts are notified.

- **Regarding the past due loan collection policy:**
    - Resolute management. A default situation must be managed in a resolute manner so as to regularise the loan, propose a restructuring of the debt or initiate a claim in or out of court as soon as possible.
    - Economic effectiveness. A court claim for debts is not always the best recovery route. On occasions it is preferable to accept payment proposals comprising the dation of assets or reductions and/or deferrals; in other cases, the amount owed or the debtor's limited solvency make other forms of collection management more advisable.
- **Regarding the policy for appraising and restating real property guarantees:**
    - Objective valuation. As price formation in property markets is clearly imperfect, guarantees based on such assets must be valued as objectively as possible, since this determines the correct and rational management of the secured credit risk.
    - Efficient restatement of appraisals. The value of properties securing loans must be restated periodically both to take credit risk management decisions and to correctly calculate impairment and capital for the purposes of regulatory compliance. Nonetheless, restatement procedures must be efficient in terms of both frequency and the instruments employed.

b) Parameters defining the credit policy

b.1) Credit risk concentration limits

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

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

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

Segment/portfolio/sub-portfolio

1 Retail	**80%**
11 Home mortgage	60%
111 Habitual	60%
123 Other uses	12%
12 Other household financing	10%
121 Micro-consumer	3%
122 Automobiles	5%
123 Other goods and services	10%
13 Self-renewable	5%
131 Credit cards	5%
132 Overdrafts	1%
14 Small businesses	20%
141 Self-employed	15%
142 Micro companies	15%
143 Small retail	15%
144 Medium retail	15%
15 Retail agro-food	20%
151 Greenhouse cultivation	15%
152 Other agro-food sector	15%

2 Corporate	**40%**
21 Developers	15%
211 Development	15%
212 Land	3%
213 Other promoters	3%
22 Corporate agro-food	15%
23 SMEs	15%
231 Small	10%
232 Medium-sized	10%
24 Large companies	10%

3 Public Institutions	**15%**
4 Non-profits	**5%**
5 Financial intermediaries.	**5%**

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

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

% of capital and reserves	
Borrower or group limit	10%
Relevant exposure	4%
Relevant exposure limit	400%

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

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

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

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

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

- Delegate bodies: bodies to which powers are delegated, There are six levels in the Group, from high to low,
  - Executive Committee
  - Investment Committee
  - Territorial Risk Committees
  - Business Committee

  There are also specialized committees with powers to approve certain types of operations:
  - Assets and Liabilities Committee, for financial market operations.
  - Employee Financing Committee, for operations requested by employees under Collective Agreements and arrangements with personnel.
  - Microcredit Committee, for operations relating to microcredit facilities arranged.
- Exposure volume limits: Each delegate body is assigned an overall limit, sublimits per operation and franchise limits.

- Credit quality modules:

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

  - When the report indicates "grant", powers held by Offices, and Regional and Business Committees, to approve lending operations are increased by 25% (grade top A) and by 75% (other grades), it cannot be higher than grade A increased by 25%.
  - When the report indicates "doubtful":
    - The powers of branches to resolve this will be reduced by 25% unless the monitoring policy assigned to the customer is "favourable".
    - The powers of the Regional and Area Business Committees will be reduced by 25% unless the monitoring policy assigned to the customer is "favourable".
  - When the report indicates "refuse within limits":
    - The branches will not be authorised to resolve them, unless the amount concerned is less than or equal to 50% of the general exempt minimum.
    - Participants' Business Committees and Governing Bodies will not be authorised to resolve it unless the amount concerned is less than or equal to the general exempt minimum.
  - New financing for which the report indicates "refuse outside limit" is subject to a special authorisation process that may only be completed by a body forming part of the Entity's General Management.

    The following are exempted from this rule:

    - Operations originating from the restructuring of operations with the customer that might be allowed by the Entity's Central Analysis Committee, unless this pertains to the parent company's governing body due to the amount involved.
    - Transactions equal to or less than €3,000 that may be granted by participating entities' branches.
    - The Central, Regional and Area Business Committees and the participants' Governing Body may authorise this type of operation provided that the amount concerned is equal to or less than 75% of the general exempt minimum.
  - If a delegate body authorises an operation which opposes the opinion of a binding credit rating model or the opinion of an analyst, the reasons for authorisation must be stated.
  - The exempt minimum for the renewal of working capital will not operate when the party involved in the transaction is a real-estate developer, for other parties, the following will be required:
    - They have been assigned a favourable or neutral risk policy, or
    - They are assessed using a rating model and the rating obtained is higher than or equal to 3.5 points.

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

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

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

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

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

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

  - Limit the maximum line granted (after applying the 50% reduction) to 10% of our equity capital.
  - Not open a counterparty line for entities that show a minimum limit of € 5,000 thousand after applying the above-mentioned reductions.

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

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

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

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

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

Secured asset	% LTV
Homes	
Borrower's primary address	80%
Other uses	70%
Offices, premises and multi-use facilities	
Other buildings, such as single use premises, hotels, etc.	70%
Urban land and and building land	50%
Other properties	
Buildings under construction	50%
Components of buildings under construction	50%
Other land	50%
Rural properties	
Intensive horticulture operations	70%
Other agricultural operations	50%
Foreclosed assets owned by GCC	100%
Monetary deposits	100%
Pledges of financial instruments	
Fixed income securities issued by the State or Autonomous Regions and by other issu	90%
Fixed income securities issued by entities with a rating lower than BB but equal to or hi	80%
Listed equities	
Securities consisting of shares in collective investment institutions will be categorized a	70%

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

Guarantee assurance policy

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

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

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

Internal authorization of valuation companies,

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

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

- o Be entered in the Spanish Central Bank's Register of Valuation Companies.
- o Be independent from Cajamar Group, which entails:
    - ▪ Not being a related party under Rule 61 of Spanish Central Bank Circular 4/2004.

- Cajamar Group must not contribute more than 25% of the company's turnover.
- Having human and technical resources to perform the work, as well as appropriate, recent experience.
- Have internal procedures to assure independence and detect conflicts of interest.
- Have an internal control department that reviews the valuer's work.

Valuation of properties for new risk acceptance

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

- Purchase price declared in a public deed, plus all post-acquisition costs incurred during construction, repair, extension or development of the building, excluding commercial and financial charges, and provided there are documents supporting the costs. If the purchase price and/or subsequent costs were incurred more than three years earlier, they may be restated applying appropriate restatement coefficients.
- The appraised value, which must fulfil the following requirements:
  - Issued by a valuation company authorised by Cajamar Group.
  - Issued less than three months earlier.
  - Prepared for mortgage market purposes and in accordance with the ECO Order.
  - No determining factors.

Update of the value of the property under guarantee

- Time-related criteria.

  Real estate values will be updated with a frequency determined by the accounting classification of the transaction, type of asset to be evaluated and the gross carrying amount of the transaction such that the maximum periods will be, unless there are significant declines in value:

  <u>Normal transactions:</u>

  - Guarantees for transactions with a gross carrying amount exceeding €3 million or 5% of equity and collateral other than buildings and components of finished buildings: Every three years unless there are verified significant declines in value, in which case the review will be brought forward.
  - Guarantees for buildings and components of finished buildings not included in the preceding point. Whether or not there have been any significant declines in value is verified on an annual basis and, if so, the value must be adjusted.

  <u>Normal transactions under special supervision:</u>

  - The value of the guarantees for transactions under special supervision that comply with the following criteria must be reviewed on an annual basis:
    - Transactions pertaining to segments with an aggregate gross amount >€300 million or 10% of equity
    - Transactions with a gross amount exceeding €1 million and LTV>70% or Guarantees

- o Transactions with a gross carrying amount exceeding €3 million or 5% of equity and collateral other than buildings and components of finished buildings.

- Other guarantees for transactions under special supervision: The adjustment of the value of these properties will take place in the same manner as for the guarantees for normal transactions.

Doubtful transactions: Annually.

- o Restated values.

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

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

b.3) Rules for measuring customer payment capacity

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

- o Inclusion in the loan files of sufficient economic and financial information to assess the borrower's capacity to generate funds. In the case of companies and self-employed professionals, this information must be updated yearly.
- o Elimination of payment facilities included in products for commercial differentiation purposes.For loans covered by scoring or rating models, this evaluation is provided by the model itself, through one of the following two systems:
  - ▪ Including one or more payment capacity variables in the algorithm that estimates the probability of default.
  - ▪ Calculating a specific payment capacity report which, combined with the socio-economic profile report, forms the final report on the operation.

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

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

- o Loan term:

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

The maximum repayment period for loan secured by real property is the property's useful life, subject to a maximum of 15 years, except for private properties, subject to a maximum of 30 years.

- Settlement periods:

  Principal and interest must be settled on a monthly basis. The capital and interest settlement frequency will be monthly, in general. Quarterly settlement frequencies will only be allowed if justified by the borrower's resource generation frequency. In the case of financing agro-food campaigns, longer interest settlement periods are possible.

- Grace period:

  Interest payment grace periods are not permitted.

  Capital payment grace periods may be applied when: (i) financing a project that will only start to provide income at a future date, (ii) it is bridge financing, (iii) forms part of the design of a specific product for the retail sector, in which case this credit facility must be taken into account to adjust the calculation of the customer's capacity to make payment, or (iv) is a debt restructuring operation. A grace period for the payment of interest is only available in the latter case.

b.5) Restructuring policy

Debt restructuring is only available when there is an improvement in the collection status within the restructured position. This improvement must derive from the adaptation of the transaction conditions to the customer's payment capacity, accompanied by improvements in collateral, if appropriate.

Restructuring operations will observe the following policies in general:

- The transaction will not be restructured if the customer does not show a clear will to make payment.
- After the restructuring the customer's capacity to generate resources must be deemed sufficient to fulfil the modified conditions.
- The customer must make payment of accrued interest up to the date of the restructuring.
- Exposure will not increase, unless such an increase improves the Group's position with respect to the borrower (for example, when the increase allows the financed project to be completed and, therefore, start to generate inward flows, or when the increase is applied to lift prior obligations that would make recovery by us through the execution of guarantees difficult).
- Capital grace periods will be avoided. If granted, they will not exceed 2 years and must always be based on the clear expectation that the borrower will generate sufficient funds to make payment at maturity.
- No interest grace periods will be granted in general.
- Successive restructurings will be avoided and restructuring proposals based on the same budgets should not be successful more than two times within five years.
- The authority to grant restructuring operations must preferably fall to the Investment Management area.

Note 24.4 provides the required disclosures regarding refinanced and restructured transactions.

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

The Parent Entity's Board of Directors assumes its responsibility as the highest management and credit risk control body, which does not impede it from reasonably delegating that authority to lower bodies.

The Parent Entity's Board of Directors may thus delegate, in turn, to the Executive Committee or Governing Boards of the Group's savings banks and they may also delegate to lower bodies within their organizations.

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

c.1) Credit risk acceptance phase:

- **Bodies involved**

  - Bodies empowered to grant loans:

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

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

  - Credit risk acceptance area:

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

- **Organisation**

  - Special Financing Area:

  It engages in the analysis, approval and management of the admission of Grupo Cooperativo Cajamar's loan transactions that must be resolved by the Cooperative Bank's Board of Directors, its Executive Committee and the Investment Committee as a result of the authority delegated to those areas. It also performs the credit risk assessments requested by the General Investment Department.

  - Analysis Centres Area:

  It engages in the management of the admission of Grupo Cooperativo Cajamar's loan transactions, ensuring that they are granted with the maximum credit quality in accordance with the authority delegated to it or raising them to higher bodies if the proposal exceeds its authority level. It is also responsible for formalizing proposals in the terms indicated by the authorizing body.

The area is divided into five offices to correctly fulfil its duties:

- ***Retail Risk Analysis Centre:***

  Analyse, approve and report credit transactions relating to home mortgage portfolios, other household financing, automatically renewing financing and the financing of small businesses that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar through the Business Offices and Committees.

- ***Agro Retail Risk Analysis Centre:***

  Analyse, approve and report credit transactions relating to retail agro-food that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar through the Business Offices and Committees.

- ***Corporate Risk Analysis Centre:***

  Analyse, approve and report credit transactions relating to promoters, corporate agro-food and small businesses that must be resolved by the various bodies with authority delegated by Grupo Cooperativo Cajamar to bodies higher than the Business Offices and Committees that must be analysed by the Special Financing Centre.

- ***Overdraft Analysis Centre:***

  Analyse and approve proposed overdrafts, excess withdrawals and other exceptional items with respect to discounting facilities, foreign trade, confirming, factoring and C-19 that exceed the authority of the Business Offices and Committees for all of Cajamar Grupo Cooperativo or, if appropriate, inform the Parent Entity and/or Group Entities, to address these extraordinary customer requests such that the situation can be normalized and prevent them from reoccurring.

- ***Execution:***

  Tasked primarily with: (i) drawing up and reviewing financing agreements and any and all documentation related with credit transactions; (ii) controlling external providers of services related with loan execution processes; and (iii) resolution of registration-related incidents.

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

- o **Acceptance phase management tools:**

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

  - Credit rating models: The Entity uses model map during acceptance:
    - o **Retail segment**
      - General reactive scoring of private individuals.
      - Reactive scoring of new residents.
      - Reactive scoring of small businesses.
      - Proactive scoring of natural persons.
      - Proactive scoring of microenterprises.
      - Scoring of intensive horticulture activities.

- **Corporate segment**

  - SME ratings.
  - Large company ratings.

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

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

  The portfolios to which credit granting models fully integrated into management processes are applied account for 85.7% of the Entity's total credit risk, and all retail and corporate segment portfolios are evaluated, representing 66.9% of exposure.

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

- **Acceptance controls:**

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

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

- **Bodies involved**

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

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

  - Risk measurement methodology staff

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

  - Credit risk control area

  Comprises the following units:

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

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

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

- ***Group risk control:*** Main functions are to coordinate Credit Risk Control, Market Risk, Liquidity, Interest and Operational Risk functions of the parent entity and entities associated with the Group.

- <u>Market risk control:</u>

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

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

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

- Customer monitoring models. The following models are used to rate customers based on a credit policy comprising three values: Favourable, neutral and restrictive.
  - Proactive scoring of natural persons
  - Proactive scoring of microenterprises
  - Follow-up scoring of intensive horticulture activities
  - SME ratings
  - Large companies ratings

- Operation monitoring models: Although they are used mainly to efficiently calculate regulatory capital, these models are also useful when monitoring portfolios. Frontier values are determined to categorise the risk of each operation as low, medium, high and very high. Set out below are a list of models in place:
  - Behavioural scoring of natural persons.
  - Behavioural scoring of microenterprises.
  - Follow-up scoring of operations with intensive horticulture activities
  - Follow-up rating of SME operations
  - Follow-up rating of large companies operations

  These models are applied to customers representing 81.81% of credit exposure.

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

- **Monitoring controls:**

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

  The following credit policy options are defined:

  Favourable: Customers showing good credit quality.

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

  Restrictive: Customers showing clear signs of impaired credit quality.

  At present, the follow-up models classify customers accounting for 97.2% of exposure under retail and for 96.3% of exposure under corporate portfolio.

  - Operation rating using operation monitoring models.

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

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

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

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

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

  - Rating of Significant Exposure borrowers.

    The Borrower Control Office performs individual reviews of borrowers and risk groups to which exposure is significant as well as transactions in arrears by a gross amount exceeding 2.5 million.

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

    A daily check is performed of compliance with the credit risk limits assigned to each counterparty; counterparty credit quality is also monitored in case line updates are required.

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

  - Control over restructured loans

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

c.3) Impaired asset recovery phase:

- **Bodies involved**

  The recovery phase is performed mainly by three functional units:

  - **Regional Management Units**, which have:
    - Branches, where the recovery of loan operations is initiated.
    - Default Operations Managers, their purpose is to manage recovery in their areas of influence and to directly manage the most significant defaults.

- <u>**Risk Monitoring and Recovery Area**</u>
  - Support the Parent Entity's General Investment Department with attaining its objectives regarding Risk Recovery, identifying available resources to achieve maximum efficiency, developing initiatives, actions and support to most effectively and inexpensively obtain recoveries by the Group.
  - Efficiently manage and provide advisory services regarding the management of payments in arrears for less than 120 days and supervise the management of the servicer Haya Real State with respect to those doubtful risks that fall within its management scope (more than 120 days).
  - Inform the General Investment Department and any other designated area within the Group's structure, providing monitoring reports regarding items in arrears, their size and any applicable variables, or their prevention.

To this end, it has the following internal offices:

- **Debt Recovery Management Control:**
  This area is responsible for applying controls to Haya and to support and process proposals received that lie outside of its authority. Provide support for consultations made by other Departments regarding the management of Haya. Monitor compliance with adaptations to court-ordered bankruptcies. Prepare regular business activity monitoring reports and prepare the reports required by the Bank of Spain or other Group Departments.

- **- Debt Recovery Administration:**
  Carries out all action intended to control the projected and actual evolution of risks in arrears not yet doubtful, doubtful risks and those in delinquency, as well as the administration, accounting and monitoring of transactions in those situations. Its scope of responsibility involves the management of non-payment situations in arrears for 120 days or less or in a non-court bankruptcy situation on behalf of Grupo Cooperativo Cajamar. This unit is currently divided into two functional management groups:

  - Management of the evolution of payments in arrears.
  - Accounting management of debt recovery.

- **Debt Recovery Analysis Centre (DRAC):**

  It's responsibility is to analyse the situation and the alternatives that best safeguard the Group's interests, ensuring the proper receipt, review, response, formal processing and monitoring by Haya and Grupo Cooperativo Cajamar of the proposals that are specified as part of its duties, evaluating the impacts of the measures to be adopted to mitigate the repercussions of transactions in an irregular situation and/or reflecting payment difficulties while ensuring an adequate internal control environment and facilitating operational efficiency.

- **Territorial Risk Teams**

  The Regional Risk Organizational Unit, which depends hierarchically on the General Investment Department and functionally on the Debt Recovery Unit, is currently divided into the following Regional Departments with a marked geographical component that directly support the Local Departments. Its duties notably include actions in various stages of the credit risk evolution cycle. Monitoring, early and pre-delinquency debt management, non-performing asset recovery, etc.

- **Recovery support unit**

  Its mission is the need to attain three fundamental objectives:

  - Communication of positions in arrears and making claims in this respect through telephone contacts with the borrower immediately after any failure to make payment of a loan instalment and prior to making any claim relating to the position in arrears (Stage 1, or D+2).

  - Collection management in the first days after any non-payment to contribute to the items in arrears not reaching 30 days (Stage 2, or D<15).

  - Facilitating collections through extra-judicial agreements for doubtful positions outstanding for >120 (Stage 3, or D>120).

- **Laformata Servicios y Gestiones, S.L. (Haya),** a company to which it was externalized the management of pre-litigation and litigation of the Associated Entities and in which it receives the files that are in default in more than 120 days.

o **Recovery management tools:**

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

- **Recovery**: integral risk management tool that covers the monitoring, non-payment, pre-litigation, litigation and bankruptcy stages, which is used by the entities making up the Group, the servicer Haya and the outside legal counsel offices.

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

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

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

- Management of past due loans in foreign lending operations.

- Communication of positions in arrears and making claims in this respect through telephone contacts with the borrower immediately after any failure to make payment of a loan instalment and prior to making any claim relating to the position in arrears D+2, D+10 y D+120.

- Information on past due risks and its management in sections Preprojected, projected, pre projected and previous depending on overdue dates.

o **Recovery controls:**

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

d) Total exposure to credit risk

The following table shows the Group's total credit risk net of valuation adjustments at the end of 2016 and 2015:

	Thousand euro 2016	Thousand euro 2015
Loans and prepayments Loans and advances to customers	29,568,327	30,169,380
Loans and prepayments Credit institutions	296,683	337,997
Debt securities	4,016,045	4,865,592
Asset hedge derivatives	10	19,840
Contingent liabilities	616,170	633,388
Total Risk	**34,497,235**	**36,026,197**
Lines available to third parties	2,540,438	2,321,729
Maximum exposure	**37,037,673**	**38,347,926**

Risk is distributed by geographic area based on the location of the Group.

The composition of risk, based on the total amount per customer recorded in the account "Customer loans" under the heading "Loan investments" in 2016 and 2015 is as follows:

	Thousand euro					
	2016			2015		
Thousand euro	Risk	Distribution	Of which: Doubtful assets	Risk	Distribution	Of which: Doubtful assets
Exceeding 6,000	3,144,738	10.05%	749,461	3,425,509	10.51%	1,137,214
between 3,000 and 6,000	1,631,483	5.22%	456,389	1,670,389	5.13%	534,515
between 1,000 and 3,000	2,295,619	7.34%	637,213	2,532,950	7.77%	912,770
between 500 and 1,000	1,841,524	5.89%	421,858	1,889,524	5.80%	498,514
between 250 and 500	3,298,176	10.54%	482,789	3,556,253	10.91%	585,338
between 125 and 250	7,072,438	22.61%	792,714	7,554,989	23.18%	835,477
between 50 and 125	8,485,573	27.13%	512,109	8,548,457	26.23%	524,545
between 25 and 50	2,090,325	6.68%	92,303	1,953,878	6.00%	89,657
Less than 25	1,419,757	4.54%	56,707	1,454,871	4.47%	57,753
Measurement adjustments	(1,803,538)			(2,462,240)		
Loans and prepayments	**29,476,094**	**100,00%**	**4,201,543**	**30,124,580**	**100,00%**	**5,175,783**

The following table shows loans and receivables utilized and contingent risks at 31 December 2016 and 2015 by segment, portfolio and sub-portfolio:

	Thousand euro			
	2016		2015	
	Exposure	Distribution	Exposure	Distribution
Retail	**24,757,817**	**72.21%**	**25,637,376**	**71.70%**
Housing	**13,924,787**	**40.61%**	**14,513,619**	**40.59%**
Habitual	12,440,454	36.28%	12,989,597	36.33%
Other uses	1,484,333	4.33%	1,524,022	4.26%
Other household financing:	**2,161,112**	**6.30%**	**2,403,005**	**672%**
Micro-consumer	213,952	0.62%	248,065	0.69%
Automobiles	146,096	0.43%	176,159	0.49%
Other goods and services	1,801,065	5.25%	1,978,780	5.53%
Self-renewable	**571,403**	**1,67%**	**539,497**	**1.51%**
Credit cards	547,763	1.60%	512,952	1.43%
Overdrafts	23,640	0.07%	26,545	0.07%
Small businesses	**5,230,714**	**15.26%**	**5,385,941**	**15.06%**
Self-employed	2,046,436	5.97%	2,136,178	5.97%
Micro companies	2,267,773	6.61%	2,439,341	6.82%
Small retail	730,759	2.13%	649,201	1.82%
Medium retail	185,745	0.54%	161,221	0.45%
Retail agro-food	**2,869,802**	**8.37%**	**2,795,315**	**7.82%**
Greenhouse cultivation	838,216	2.44%	844,571	2.36%
Other agro-food sector	2,031,586	5.93%	1,950,744	5.46%
Corporate	**7,841,738**	**22.87%**	**8,299,444**	**23.21%**
Developers	**2,357,629**	**6.88%**	**3,271,333**	**9.15%**
Housing development	1,192,897	3.48%	1,711,974	4.79%
Land	719,757	2.10%	1,025,047	2.87%
Other promoters	444,975	1.30%	534,312	1.49%
Corporate agro-food	**2,840,752**	**8.29%**	**2,602,113**	**7.28%**
Agro-food producer	694,996	2.03%	608,711	1.70%
Agro-food marketer	1,873,445	5.46%	1,730,080	4.84%
Agro-food auxiliary industry	272,311	0.79%	263,321	0.74%
SMEs	**1,878,486**	**5.48%**	**1,793,218**	**5.02%**
Small	1,302,653	3.80%	1,260,440	3.53%
Medium-sized	575,833	1.68%	532,778	1.49%
Large companies:	**764,871**	**2.23%**	**632,780**	**1.77%**
Public bodies:	**1,127,705**	**3.29%**	**1,215,607**	**3.40%**
Non-profits:	**227,299**	**0.66%**	**240,983**	**0.67%**
Financial intermediaries,	**330,906**	**0.97%**	**361.216**	**1.01%**
Total loan portfolio	**34,285,465**	**100.00%**	**35,754,626**	**100.00%**

Note: the figures presented in the table above correspond to the information managed by the Loan Book Control Division and not the balance sheet figures, They include customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude amounts drawable due to subrogations), non-performing assets and loans securitised and derecognised; they do not include impairment charges, Credit risk concentration by geographical sector and counterparty at the 2016 and 2015 year end is as follows:

Year 2016

	Thousand euro				
	Total	Spain	Rest European Union	America	Rest World
Credit institutions	**1,824,057**	**1,797,893**	**23,075**	**571**	**2,518**
Public institutions	**4,569,314**	**3,788,831**	**780,482**	**-**	-
State Administration	3,703,719	2,923,237	780,482	-	-
Other	865,595	865,595	-	-	-
Other financial institutions	**1,789,617**	**1,702,515**	**77,116**	**3,306**	**6,680**
Non-financial companies and individual businesses	**10,754,050**	**10,697,038**	**53,982**	**499**	**2,531**
Real estate development and construction	1,127,081	1,127,081	-	-	-
Execution of civil works	14,823	14,823	-	-	-
Other purposes	9,612,147	9,555,134	53,982	499	2,531
Large companies	4,114,575	4,114,172	153	-	249
SME's and self-employed	5,497,572	5,440,962	53,830	499	2,281
Other households ISFLSH	**16,268,101**	**16,080,646**	**141,226**	**10,061**	**36,168**
Homes	2,407,725	2,224,289	138,393	9,883	35,159
Consumer	416,819	415,845	651	50	273
Other purposes	2,227,334	2,224,289	2,183	127	735
Less: Adjustment in value due to impairment not attributable to specific transactions,	**-**				
Total	**35,205,140**	**34,066,924**	**1,075,882**	**14,437**	**47,897**

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

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

Year 2015

	Thousand euro				
	Total	Spain	Rest European Union	America	Rest World
Credit institutions	**250,532**	**230,052**	**20,282**	**-**	**198**
Public institutions	**5,484,958**	**4,284,514**	**1,200,444**	**-**	**-**
State Administration	4,496,407	3,295,962	1,200,444	-	-
Other	988,551	988,551	-	-	-
Other financial institutions	**1,006,316**	**904,937**	**94,273**	**506**	**6,600**
Non-financial companies and individual businesses	**12,338,045**	**12,330,712**	**4,075**	**777**	**2,481**
Real estate development and construction	1,763,059	1,762,949	109	-	-
Execution of civil works	82,728	82,458	2	-	268
Other purposes	10,492,258	10,485,305	3,963	777	2,213
Large companies	977,026	976,799	227	-	-
SME's and self-employed	9,515,233	9,508,506	3,736	777	2,214
Other households ISFLSH	**17,245,091**	**17,060,386**	**138,909**	**8,849**	**36,946**
Homes	15,053,192	14,873,652	135,444	8,685	35,412
Consumer	1,336,654	1,333,481	2,102	116	955
Other purposes	855,244	853,254	1,363	48	579
Less: Adjustment in value due to impairment not attributable to specific transactions,	**(48,317)**				
Total	**36,276,625**	**34,810,602**	**1,457,983**	**10,132**	**46,225**

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

Value adjustments not assigned to specific operations are recognised under “Value adjustments for impairment of assets not allocable to specific operations”, Credit risk concentration by geographical sector and counterparty at the 2016 and 2015 year end is as follows:

2016

Thousand euro

		Regional Administrations								
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Catalonia**
Credit institutions	**1,797,893**	**406,888**	**10**	**-**	**-**	**-**	**5,396**	**-**	**-**	**41**
Public institutions	**3,788,831**	**249,266**	**15,725**	**-**	**2,396**	**57,481**	**-**	**411**	**54,964**	**32,077**
State Administration	2,923,237	-	-	-	-	-	-	-	-	-
Other	865,595	249,266	15,725	-	2,396	57,481	-	411	54,964	32,077
Other financial institutions	**1,702,515**	**279,604**	**-**	**-**	**1,055**	**931**	**23**	**104**	**888**	**3,130**
Non-financial companies and individual businesses	**10,697,038**	**4,513,724**	**53,007**	**7,166**	**316,695**	**510,065**	**15,770**	**196,714**	**651,639**	**468,587**
Real estate development and construction	1,127,081	421,022	13,752	-	3,362	22,974	1,126	24,313	36,997	39,796
Execution of civil w orks	14,823	1,131	-	-	-	878	-	93	98	715
Other purposes	9,555,134	4,091,571	39,254	7,166	313,333	486,213	14,644	172,307	614,544	428,076
Large companies	4,114,172	3,339,991	9,821	160	18,503	29,473	2,026	14,663	45,996	72,894
SMEs and self-employed	5,440,962	751,580	29,433	7,006	294,829	456,740	12,618	157,644	568,549	355,183
Other households ISFLSH	**16,080,646**	**4,448,431**	**24,366**	**6,543**	**288,190**	**373,208**	**9,975**	**169,943**	**557,794**	**1,305,961**
Homes	13,440,512	3,730,279	21,401	5,514	238,358	300,880	8,656	144,600	448,126	1,219,880
Consumer	415,845	124,957	328	217	8,104	22,522	387	4,760	21,072	11,798
Other purposes	2,224,289	593,195	2,637	812	41,728	49,806	932	20,583	88,596	74,283
Less: Adjustment in value due to impairment not attributable to specific transactions,	**-**									
Total	**34,066,924**	**9,897,912**	**93,107**	**13,709**	**608,335**	**941,684**	**31,164**	**367,171**	**1,265,285**	**1,809,797**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**C, Valenciana**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Credit institutions	**-**	**-**	**1,367,813**	**-**	**-**	**1,782**	**15,963**	**-**	**-**
Public institutions	**-**	**-**	**24,963**	**59,751**	**350**	**326,795**	**-**	**7,858**	**33,557**
State Administration	-	-	-	-	-	-	-	-	-
Other	-	-	24,963	59,751	350	326,795	-	7,858	33,557
Other financial institutions	**-**	**-**	**1,391,976**	**6,734**	**3**	**18,065**	**-**	**3**	**-**
Non-financial companies and individual businesses	**16,483**	**38,188**	**784,352**	**1,965,084**	**49,817**	**1,057,207**	**18,022**	**16,980**	**17,538**
Real estate development and construction	34	11,406	98,776	154,075	1,299	290,347	-	-	7,801
Execution of civil w orks	-	-	2,311	3,445	-	6,117	-	-	36
Other purposes	16,449	26,782	683,265	1,807,565	48,518	760,744	18,022	16,980	9,701
Large companies	-	5,615	217,912	148,996	29,676	160,358	11,582	5,809	698
SMEs and self-employed	16,449	21,166	465,353	1,658,569	18,842	600,385	6,440	11,171	9,004
Other households ISFLSH	**4,954**	**12,368**	**824,486**	**2,985,211**	**6,600**	**4,982,753**	**7,890**	**3,211**	**68,764**
Homes	4,453	8,210	723,919	2,507,308	5,488	4,000,133	6,887	2,286	64,133
Consumer	181	1,270	11,483	97,155	175	109,526	266	322	1,325
Other purposes	320	2,889	89,084	380,748	937	873,094	737	603	3,305
Less: Adjustment in value due to impairment not attributable to specific transactions,									
Total	**21,437**	**50,556**	**4,393,590**	**5,016,780**	**56,770**	**6,386,601**	**41,875**	**28,052**	**119,859**

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

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

2015

Thousand euro

	Regional Administrations									
	Total	**Andalucía**	**Aragón**	**Asturias**	**Baleares**	**Canarias**	**Cantabria**	**Castilla La Mancha**	**Castilla y León**	**Catalonia**
Credit institutions	**230,052**	**110,989**	**12,257**	**-**	**-**	**-**	**4,786**	**1,830**	**-**	**1,185**
Public institutions	**4,284,515**	**213,610**	**18,571**	**-**	**7,595**	**51,435**	**-**	**476**	**67,509**	**32,043**
State Administration	3,295,962	-	-	-	-	-	-	-	-	-
Other	988,552	213,610	18,571	-	7,595	51,435	-	476	67,509	32,043
Other financial institutions	**904,936**	**43,091**	**-**	**-**	**796**	**49**	**-**	**-**	**436**	**2,198**
Non-financial companies and individual businesses	**12,330,716**	**4,091,568**	**37,783**	**6,055**	**316,907**	**478,470**	**13,801**	**185,352**	**642,547**	**443,567**
Real estate development and construction	1,762,950	643,213	8,244	16	17,189	55,074	948	28,843	60,047	58,317
Execution of civil w orks	82,459	12,595	-	-	863	3,975	-	350	104	1,312
Other purposes	10,485,307	3,435,760	29,539	6,039	298,855	419,420	12,853	156,159	582,396	383,938
Large companies	976,801	361,770	7,618	1,668	16,857	16,570	642	10,089	40,542	45,716
SMEs and self-employed	9,508,506	3,073,991	21,921	4,371	281,998	402,850	12,211	146,070	541,854	338,222
Other households ISFLSH	**17,060,388**	**5,300,321**	**23,890**	**6,410**	**289,236**	**371,495**	**9,964**	**167,641**	**500,410**	**1,372,950**
Homes	14,873,653	4,818,509	22,065	5,639	233,506	291,359	8,857	144,133	449,464	1,289,365
Consumer	1,333,482	252,553	824	436	33,031	47,826	837	16,825	35,154	49,265
Other purposes	853,254	229,259	1,001	334	22,698	32,309	270	6,683	15,793	34,321
Less: Adjustment in value due to impairment not attributable to specific transactions,	**(48,317)**									
Total	**34,762,291**	**9,759,579**	**92,502**	**12,464**	**614,533**	**901,448**	**28,551**	**355,299**	**1,210,901**	**1,851,944**

	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarra**	**C, Valenciana**	**Basque Country**	**La Rioja**	**Ceuta and Melilla**
Credit institutions	**-**	**-**	**78,416**	**-**	**-**	**466**	**20,123**	**-**	**-**
Public institutions	**-**	**-**	**132,897**	**91,103**	**-**	**336,163**	**-**	**-**	**37,150**
State Administration	-	-	-	-	-	-	-	-	-
Other	-	-	132,897	91,103	-	336,163	-	-	37,150
Other financial institutions	**-**	**-**	**834,809**	**3,106**	**44**	**20,406**	**-**	**-**	**-**
Non-financial companies and individual businesses	**20,714**	**31,105**	**904,210**	**1,959,480**	**24,294**	**3,120,794**	**17,813**	**17,719**	**18,538**
Real estate development and construction	243	8,692	156,166	216,444	2,711	497,998	241	12	8,552
Execution of civil w orks	-	11	43,721	7,832	-	11,611	-	-	85
Other purposes	20,471	22,402	704,323	1,735,203	21,583	2,611,186	17,572	17,707	9,901
Large companies	-	2,174	246,538	86,051	10,716	112,621	12,240	4,990	-
SMEs and self-employed	20,471	20,228	457,785	1,649,153	10,867	2,498,565	5,332	12,716	9,901
Other households ISFLSH	**5,139**	**9,319**	**795,134**	**2,992,569**	**4,598**	**5,128,674**	**8,186**	**2,961**	**71,493**
Homes	4,760	6,825	755,288	2,612,007	4,080	4,151,633	7,223	2,372	66,566
Consumer	210	2,128	26,429	182,326	381	680,820	514	379	3,544
Other purposes	168	366	13,416	198,236	136	296,222	449	210	1,383
Less: Adjustment in value due to impairment not attributable to specific transactions,									
Total	**25,853**	**40,424**	**2,745,466**	**5,046,257**	**28,936**	**8,606,504**	**46,121**	**20,680**	**127,181**

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

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

6.3. Market and Exchange-rate Risk

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

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

The basic **principles** applicable to market and foreign exchange risks are as follows:

- The utilisation and holding of financial instruments quoted in official secondary markets must fulfil the following purposes:

    1. Compliance with supervisory and regulatory standards that require the holding of financial assets, such as liquidity ratios.

    2. Adequate management of liquidity and the funding structure; and/or

    3. Diversification of the Group's income sources.

- Only the parent entity may be exposed to market risk. Only the Parent Entity may, in general, have exposure to market risk. However, when circumstances so advise, and on an exceptional basis, the Parent Entity may authorize any of the Group's entities or the Consolidated Group to be exposed to market risk.

- Financial instruments carrying market risk may only be acquired and held as part of the management of a "portfolio" the creation of which must be specifically authorised by the BCC's Executive Committee, which will establish each portfolio's investment policy and management objectives and, if applicable, will impose limits on value losses, value at risk and concentration. Where these limits are not necessary, the Executive Committee's resolution must be reasoned.

- Market risk exposures have different risk levels depending on the reason for holding the instruments carrying the risk, so that separate limits will be established based on the category in question. To this end, the portfolios referred to above will be included in one of the following categories:

    1. Not treated based on exposure to market risk.

        a) Fixed income classed as held to maturity in the accounts. As the securities included in this category will not be sold in the market but will be held until they are redeemed by the issuer, the predominant risk is the issuer credit risk; these securities must be treated as stipulated in the Group's Credit Risk Manual. Consequently, no limit is applied to the market risk arising from these investments.

        b) Institutional financial instruments, including shareholdings in Group companies and other financial instruments in respect of which the investment is made in response to the Group's operating needs and institutional obligations. For these exposures, which are indefinite in nature, no market risk limit is applied.

2. Treated based on exposure to market risk, in line with the following principles:

   a) Liquid and listed financial instruments in which a position is taken in order to generate short-term gains, which are therefore included in a trading portfolio ("trading activity"). This portfolio must operate under the principles of diversification and moderate value at risk, in the terms of chapter 2 of the manual.

   b) Financial instruments exposed to market risk that are not included in the above-mentioned categories.

   The financial instruments included in this category will be subject to the market risk exposure limits established in chapter 2 of this manual.

- The above principles will not apply to instruments contracted for hedging purposes unrelated to the portfolio management referred to in the previous point.

- Foreign exchange risk limits will be adjusted to levels strictly necessary to facilitate customers' operating needs and the trading activity described in the previous point.

The following limits structure is applied to ensure that exposure to market and foreign exchange risks is at levels compatible with the basic principles referred to above:

a) Limit on trading positions. The sum of net positions in trading portfolios may not exceed 10% of eligible capital.

b) Limit on VaR of trading positions. The value at risk (VaR) of positions held in trading portfolios may not at any time exceed 1% of eligible capital. To this end, one-day VaR will be used, with a 99% confidence threshold.

c) Limit on the overall market risk position. The Group's net overall market risk position may not exceed 100% of eligible capital.

d) Limit on the overall currency position. The sum of the equivalent value in euros of currency positions, using absolute values, may not exceed 0.60% of eligible capital.

e) Limit on the maximum position in an individual currency. The equivalent value in euros of the position in each currency, in absolute terms, may not exceed 0.40% of eligible capital.

f) Limit on currency VaR. The value at risk of the currency position expressed in annual terms and at a 99% confidence level may not exceed 0.08% of eligible capital.

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

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

- Board of Directors´ Risk Committee
- Assets and Liabilities Committee (ALCO)
- Treasury Capital Markets Management
- Market risk control
- Balance Management
- Treasury Administration
- General Audit Department

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

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

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

At 31 December 2016 and 2015 the impact of exchange rate risk is not significant at the Entity since it does not maintain any relevant positions denominated in foreign currencies. The overall amount of assets expressed in foreign currency by the Group totals €58,644 thousand (€62,015 thousand in 2015) and the overall amount of the liabilities items expressed in foreign currency is €47,689 thousand (€57,327 thousand in 2015).

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

	Thousand euro	
Assets	**2016**	**2015**
Cash, cash balances at central banks and other sight deposits	2,791	2,485
Loans and prepayments - Deposits at credit institutions	18,496	35,813
Other assets	37,356	23,717
Total	**58,644**	**62,015**

	Thousand euro	
Liabilities	**2016**	**2015**
Deposits from credit institutions	9,489	12,720
Customer deposits	35,797	40,987
Other liabilities	2,402	3,620
Total	**47,689**	**57,327**
Net position	**10,956**	**4,689**
Purchase/sale of currency	**54,171**	**56,526**

The net amount of exchange-rate risks recognised in the consolidated income statement, except for those included in the portfolio of financial assets and liabilities at fair value through changes in profit or loss totals 2,764 thousand euros in 2016 (3,752 thousand Euros in 2015).

In 2016 and 2015 the Group did not record any "Exchange differences" under the heading "Measurement adjustments" in "Equity".

6.4. Operational risk

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

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

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

- Principle of accountability: Senior management and the governing bodies are responsible for designing and transmitting the values, basic principles and policies of management. They are ultimately responsible for the Group's operational risks.
- Principle of functional independence: In order to establish the effective management of the Operational Risk, there must be autonomy in decision taking with respect to the persons and departments directly affected by this risk.
- Principle of consistency, according to which there must be consistency in policies, processes, procedures and tools. As a result, the concept of Operational Risk has been accurately defined and its definition is known and adopted by all those involved. The Operational Risk Control Office was set up and a network of Operational Risk Coordinators was defined with specific and concrete functions in order to extend this principle to each of the areas and offices affected by this risk.
- Principle of transparency. In light of the need for a corporate culture of Operational Risk, it is necessary to establish appropriate disclosure of the actions performed to manage this risk at both internal and external level, ensuring that the organisation and market players are able to know and assess the Group's Operational Risk approach.
- Principle of adapting to change. Due to the on-going changes in the regulation and management of credit institutions, the need is established for the bodies responsible for operational risk control to analyse specifically (i) the operational risk profile of new products, processes, systems and lines of business, (ii) the change of the overall risk profile resulting from acquisitions, mergers or integrations and (iii) the Operational Risk inherent in regulatory amendments.
- Principle of assurance. The Group's Entities should cover their operational risk through insurance contracts, the establishment of a self-insurance fund or through the combination of both systems. The Parent Entity is ultimately responsible for these decisions.

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

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

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

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

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

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

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

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

  - Board of Directors' Risk Committee.
  - Control Committee.
  - Global Risk Control Management
  - Operational Risk Control.
  - Coordinator network
  - General Audit Department

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

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

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

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

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

6.5. Interest rate risk

a) Risk policy: limits, diversification and mitigation

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

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

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

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

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

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

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

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

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

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

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

Impact on the Net Interest Margin

The sensitivity of the net Interest Margin is analysed, both from a point of view of maintaining the size and structure of the balance sheet, as well as from a dynamic point of view (including budgeted growth in the balance sheet) as a result of the impact resulting from various scenarios of interest rate changes. A 100 basis points increase (1%) in interest rates, assuming that the size and structure of the balance sheet remains the same, would have an impact on the gross earnings margin that is sensitive to interest rates on a 1 year horizon totalling 6.75% (0.16% in 2015)

Impact on Economic Value:

Future cash flows are restated to obtain an approximation of the Entity's present value, paying special attention to the repricing of equity figures and the effect of various options. As a result of the analysis, the impact on the Entity's financial value in the event of an instant 100 basis point increase (1%) in interest rates is 1.92% (-1.61% in 2015).

Analysis of interest rate risk from the point of view of financial value at 31 December 2016 and 31 December 2015

The following table shows the analysis of interest rate risk that affects the Parent Entity's financial activity at 31 December 2016 and 2015:

Liquidity gap (€'000)

2016	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Over 12 months	Total sensitive	Sensitivity (1 bp variance)	Term	Not sensitive	Total
Assets										
Money market	1,053,758	-	-	-	-	1,053,758	6	0.05%	-	1,053,758
Credit market	2,558,685	4,687,248	6,465,185	8,554,348	3,793,291	26,058,757	4,556	1.75%	3,169,930	29,228,687
Capital markets	524,422	1,382,863	252,118	1,250,378	2,273,305	5,683,087	1,221	2.15%	521,550	6,204,637
Other assets	-	-	-	-	-	-	-	-	4,565,863	4,565,863
	4,136,866	**6,070,111**	**6,717,303**	**9,804,726**	**6,066,596**	**32,795,602**	**5,783**	**1.77%**	**8,257,343**	**41,052,945**
Liabilities										
Money market	508,031	425,548	174,755	31,372	5,343,453	6,483,160	1,866	2.88%	-	6,483,160
Medium and long-term issues	517,177	947,188	583,902	622,368	2,361,342	5,031,977	1,118	2.22%	-	5,031,977
Other liabilities	-	-	-	-	-	-	-	-	4,350,956	4,350,956
Payables	3,589,324	4,071,446	2,676,773	3,594,481	11,254,829	25,186,853	4,163	1.65%	-	25,186,853
	4,614,532	**5,444,182**	**3,435,430**	**4,248,222**	**18,959,624**	**36,701,989**	**7,147**	**1.95%**	**4,350,956**	**41,052,945**
Gap	**(477,667)**	**625,930**	**3,281,873**	**5,556,504**	**(12,893,027)**	**(3,906,388)**	**(1,365)**	**(0.18%)**	**3,906,388**	
Gap/Assets (%)	**(1.16%)**	**1.52%**	**7.99%**	**13.53%**	**(31.41%)**	**(9.52%)**				

Liquidity gap (€'000)

2015	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Over 12 months	Total sensitive	Sensitivity (1 bp variance)	Term	Not sensitive	Total
Assets										
Money market	1,115,671	-	-	-	-	1,115,671	6	0.05%	-	1,115,671
Credit market	2,501,993	4,650,970	6,622,345	8,686,356	3,710,980	26,172,644	4,684	1.79%	3,616,794	29,789,437
Capital markets	713,892	1,516,571	10,679	251,403	3,963,063	6,455,608	2,512	3.89%	857,316	7,312,923
Other assets	-	-	-	-	-	-	-	-	4,431,064	4,431,064
	4,331,556	**6,167,541**	**6,633,024**	**8,937,760**	**7,674,043**	**33,743,923**	**7,202**	**2.15%**	**8,905,173**	**42,649,096**
Liabilities										
Money market	585,364	838,858	522,204	854,942	3,971,798	6,773,166	1,186	1.75%	-	6,773,166
Medium and long-term issues	913,069	1,091,440	1,697,373	728,960	2,291,989	6,722,832	1,323	1.97%	-	6,722,832
Other liabilities	-	-	-	-	-	-	-	-	3,929,267	3,929,267
Payables	3,932,645	4,232,495	3,152,660	4,155,424	9,750,606	25,223,831	4,016	1.59%	-	25,223,831
	5,431,078	**6,162,794**	**5,372,238**	**5,739,326**	**16,014,393**	**38,719,829**	**6,525**	**1.69%**	**3,929,267**	**42,649,096**
Gap	**(1,099,522)**	**4,747**	**1,260,786**	**3,198,434**	**(8,340,350)**	**(4,975,906)**	**677**	**0.47%**	**4,975,906**	
Gap/Assets (%)	**(2.58%)**	**0.01%**	**2.96%**	**7.50%**	**(19.56%)**	**(11.67%)**				

Note: The figures in the previous tables correspond to the assets and liabilities analyzed by “Gestión de Balance”. In the case of securitisations for which there is no Swap, are represented as asset by their outstanding balance and their initial characteristics, and also in the "Capital Markets" section, the securitization bonds acquired by the entity,and in as liabilities, in the section "Medium and long-term issues", it represents a liability with the repricing structure of the assets securitized by the same balance of the said securitized assets.

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

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

6.6. Liquidity risk

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

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

The basic principles regarding the management of liquidity risk, which are included in this manual, are:

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

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

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

- o Limit applicable to the eligible mortgage portfolio. The outstanding balance of covered mortgage bonds issued by the Group may not exceed 65% of the eligible mortgage portfolio.

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

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

c) Management tools: Measurement, control and monitoring systems

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

Within the framework of overall liquidity management (Notes 7.1, 7.4, 7.5.1, 7.5.2, 7.6.1.1, 7.6.1.2, 7.6.3, 7.7 and 7.8) advances are being made toward the objective of the diverse defined the sources of financing, in order to obtain a wide range of tools that allow for the flexible, agile and adjusted management of the cost of liquidity.

Financial instruments broken down by residual maturity terms at 31 December 2016 and 2015 are as follows. The maturity dates that have been taken into consideration to build the accompanying table are the expected dates of maturity or cancellation obtained from the Group's past experience:

2016	Thousand euro									
Assets	**On demand**	**Up to 1 month**	**Between 1 month and 3 months**	**Between 3 months and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Maturity indeterminate and unclassified**	**Measurement adjustments**	**Total**
Cash, cash balances at central banks and other sight deposits	291,984	-	-	-	-	-	-	376,768	122	668,874
Loans and prepayments - Deposits at credit institutions	40,079	174,738	80,499	-	-	-	-	3,538	(2,171)	296,683
Loans and prepayments - Customer loans	1,220	1,004,223	1,217,865	1,054,281	1,949,365	7,387,562	13,973,016	4,692,098	(1,803,538)	29,476,094
Debt securities	-	3,475	1,702	250,624	1,257,090	2,333,485	133,865	38,106	(2,302)	4,016,045
Total	333,284	1,182,436	1,300,066	1,304,905	3,206,455	9,721,048	14,106,881	5,110,511	(1,807,889)	34,457,696
Liabilities										
Deposits at central banks	-	-	-	-	-	5,087,000	-	-	-	5,087,000
Bank deposits	90,513	84,920	11,048	565,767	-	-	-	2,480	2,682	757,410
Customer deposits	16,264,769	1,755,569	1,875,738	2,122,632	2,587,614	1,714,630	415,273	55,582	8,928	26,800,734
Issued debt securities	-	-	-	-	-	1,491,234	842,115	-	18,440	2,351,789
Subordinated debt	-	-	-	-	-	-	99,600	-	1,173	100,773
Total	16,355,282	1,840,489	1,886,786	2,688,399	2,587,614	8,292,864	1,356,988	58,063	31,221	35,097,707
Gap (excluding measurement adjustments)	**(16,021,998)**	**(658,053)**	**(586,720)**	**(1,383,493)**	**618,841**	**1,428,184**	**12,749,893**	**5,052,448**		**1,199,101**
Accumulated gap	**(16,021,998)**	**(16,680,051)**	**(17,266,771)**	**(18,650,264)**	**(18,031,423)**	**(16,603,240)**	**(3,853,347)**	**1,199,101**		

2015	Thousand euro									
Assets	**On demand**	**Up to 1 month**	**Between 1 month and 3 months**	**Between 3 months and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Maturity indeterminate and unclassified**	**Measurement adjustments**	**Total**
Cash, cash balances at central banks and other sight deposits	295,196	72,935	-	-	-	-	-	393,134	-	761,265
Loans and prepayments - Deposits at credit institutions	7,430	35,250	226,600	-	-	-	-	2	(4,222)	265,060
Loans and prepayments - Customer loans	-	995,071	1,080,804	988,526	1,825,664	7,018,334	16,327,663	4,350,758	(2,462,240)	30,124,581
Debt securities	-	4,969	62	1,454	263,812	2,577,733	2,020,260	-	(2,698)	4,865,592
Total	302,626	1,108,225	1,307,466	989,980	2,089,476	9,596,067	18,347,923	4,743,894	(2,469,160)	36,016,498
Liabilities										
Deposits at central banks	-	-	-	-	-	3,862,439	-	-	2,764	3,865,203
Bank deposits	152,884	29,404	243,744	122,748	63,361	278,065	71,677	9,569	3,795	975,247
Customer deposits	13,581,271	2,192,552	3,076,479	3,864,600	3,614,648	2,567,470	169,150	26,847	42,874	29,135,892
Issued debt securities	-	-	-	498,650	-	1,491,234	742,515	-	26,300	2,758,699
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Total	13,734,155	2,221,956	3,320,223	4,485,998	3,678,009	8,199,208	983,342	36,416	75,733	36,735,041
Gap (excluding measurement adjustments)	**(13,431,529)**	**(1,113,729)**	**(2,012,757)**	**(3,496,018)**	**(1,588,533)**	**1,396,859**	**17,364,581**	**4,707,478**		**1,826,352**
Accumulated gap	**(13,431,529)**	**(14,545,258)**	**(16,558,015)**	**(20,054,033)**	**(21,642,566)**	**(20,245,707)**	**(2,881,126)**	**1,826,352**		

7. Financial Instruments

7.1 Cash and deposits at central banks

The composition of the heading "Cash and deposits at central banks" in the accompanying consolidated balance sheet at 31 December 2016 and at 31 December 2015 is as follows:

	Thousand euro	
	2016	**2015**
Cash on hand	254,058	295,268
Bank of Spain		
Repos	-	-
Other deposits	376,768	393,062
Bank deposits		
Current accounts	283	1,888
Other accounts	37,643	70,982
Measurement adjustments:		
Accrued interest	122	67
Total	**668,874**	**761,267**

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

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

The balance of this heading has been considered to be cash or cash equivalents for the purposes of preparing the cash flow statements for 2016 and 2015.

7.2 Breakdown of financial assets and liabilities by nature and category

Details of the carrying value of the financial assets owned by the Group at 31 December 2016 and 31 December 2015, classified at those dates based on the nature and the category defined in the relevant legislation, are as follows:

	Thousand euro				
	2016				
Financial assets: Nature/Category	**Financial assets held for trading**	**Financial assets designated at fair value through changes in profit or loss**	**Available-for-sale financial assets**	**Loans and receivables**	**Investments held-to-maturity**
Derivatives	913	-	-	-	-
Equity instruments	-	-	195,498	-	-
Debt securities	-	1,357	3,976,658	38,030	-
Loans and prepayments:					
Central banks	-	-	-	-	-
Credit institutions	-	-	-	296,683	-
Customers	-	92,233	-	29,476,094	-
Total	**913**	**93,590**	**4,172,156**	**29,810,807**	**-**

	Thousand euro				
	2015				
Financial assets: Nature/Category	**Financial assets held for trading**	**Financial assets designated at fair value through changes in profit or loss**	**Available-for-sale financial assets**	**Loans and receivables**	**Investments held-to-maturity**
Derivatives	602	-	-	-	-
Equity instruments	1	-	180,643	-	-
Debt securities	-	1,315	323,501	50,613	4,490,163
Loans and prepayments:					
Central banks	-	-	-	-	-
Credit institutions	-	-	-	265,060	-
Customers	-	44,800	-	30,124,578	-
Total	**603**	**46,115**	**504,144**	**30,440,251**	**4,490,163**

	Thousand euro		
	2016		
Financial liabilities: Nature/Category	Financial liabilities held for trading	Financial liabilities designated at fair value through changes in profit or loss	Financial liabilities at amortised cost
Derivatives	437	-	-
Deposits,			
Central banks	-	-	5,087,000
Credit institutions	-	-	757,410
Customers	-	-	26,800,734
Issued debt securities	-	-	2,351,789
Other financial liabilities	-	-	388,666
Total	**437**	**-**	**35,385,599**
	2015		
Financial liabilities: Nature/Category			
Derivatives	168	-	-
Deposits,			
Central banks	-	-	3,865,203
Credit institutions	-	-	975,247
Customers	-	-	29,135,894
Issued debt securities	-	-	2,758,699
Other financial liabilities	-	-	360,688
Total	**168**	**-**	**37,095,731**

7.3. Financial Assets held for Trading

The balances of these financial asset and liability headings in the accompanying consolidated balance sheets are as follows:

	Thousand euro			
	Assets		Liabilities	
	2016	2015	2016	2015
Equity instruments	-	1	-	-
Derivatives held for trading	913	602	437	168
Total	**913**	**603**	**437**	**168**

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

The fair value of trading derivatives are classified in Level 2 (Note 3.27) because the valuations are calculated on the basis of observable market inputs. These are mainly caps and floors whose notional value at 31 December 2016 was €2,443,542 thousand (€2,730,217 thousand at 31 December 2015).

At 31 December 2016 and 2015 the fair value of the derivatives assets is €913 and €602 thousand respectively, ascending the fair value of derivatives liabilities to €437 and €168 thousand respectively.

The notional values and the fair values of financial derivatives accorded under "Traded Derivatives) at 31 December 2016 and 31 December 2015 are indicated below, in accordance with the various classifications made based on the type of market, type of product, counterparty, remaining term and type of risk:

	Thousand euro							
	2016				2015			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Financial assets held for trading	Financial liabilities held for trading	Total trading	Of which: sold	Financial assets held for trading	Financial liabilities held for trading	Total trading	Of which: sold
Interest rate	913	437	2,443,542	300	602	168	2,730,217	1,500
Of which: financial hedges	-	-	-	-	-	-	-	-
OTC Options	-	1	5,824	300	-	-	49,179	1,500
Other OTC	913	437	2,437,718	-	602	168	2,681,038	-
Options on organized markets	-	-	-	-	-	-	-	-
Others on organized markets	-	-	-	-	-	-	-	-
Equity instruments	-	-	5	-	-	-	5	-
Of which: financial hedges	-	-	-	-	-	-	-	-
OTC Options	-	-	-	-	-	-	-	-
Other OTC	-	-	5	-	-	-	5	-
Options on organized markets	-	-	-	-	-	-	-	-
Others on organized markets	-	-	-	-	-	-	-	-
Credit	-	-	-	-	-	-	-	-
Of which: financial hedges	-	-	-	-	-	-	-	-
Default hedge swaps	-	-	-	-	-	-	-	-
Loan spread options	-	-	-	-	-	-	-	-
Total yield swaps	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Raw materials	-	-	-	-	-	-	-	-
Of which: financial hedges	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Of which: financial hedges	-	-	-	-	-	-	-	-
Derivatives	913	437	2,443,547	300	602	168	2,730,222	1,500
Of which: OTC - credit institutions	-	396	2,177,250	-	98	109	2,424,969	-
Of which: OTC - other financial companies	-	41	234,413	-	-	59	265,253	-
Of which: OTC - rest	913	-	29,000	-	505	-	40,000	-

7.4. *Financial assets at fair value through changes in profit or loss*

This heading records the hybrid financial assets that cannot be separated from a primary contract and the embedded derivative, and those assets for which more relevant information is obtained upon eliminating or reducing in coherency in their recognition and measurement, and they are set out in detail in the accompanying balance sheets as follows:

	Thousand euro	
	2016	2015
Loans and prepayments	92,233	44,800
Debt securities	1,357	1,315
Equity instruments	-	-
Total	**93,590**	**46,115**

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

7.4.1. *Loans and Advances*

The amount recognised in this heading of the accompanying balance sheet at 31 December 2016 and 2015 as Loans and advances to other debtors is 92,233 thousand euros in 2016 and 44,800 thousand euros in 2015, includes the amount of the variable price of the sale of Cajamar Vida, S.A (Note 10).

7.4.2. Debt Securities

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

	Thousand euro	
	2016	**2015**
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	-	-
Other resident sectors	-	-
Non-resident public administrations	-	-
Other non-resident sectors	1,357	1,315
Doubtful assets	-	-
Measurement adjustments	-	-
Value adjustments for asset impairment	-	-
Micro-hedge transactions	-	-
Transaction costs	-	-
Total	**1,357**	**1,315**

At 31 December 2016 and at 31 December 2015 no secure transactions carried out with other credit institutions existed.

Movements in the balance under this heading in the accompanying consolidated balance sheets, without taking into consideration impairment adjustments in 2016 and 2015, are as follows:

	Thousand euro	
	2016	**2015**
Beginning balance	**1,315**	**1,373**
Acquisitions	-	-
Sales and redemptions	-	-
Transfers	-	-
Portfolio cost correction	38	37
Accrued interest	-	-
Value adjustments against profit and loss	4	(95)
Hedge adjustments	-	-
Value adjustments for asset impairment	-	-
Entry of Cooperative Group entities	-	-
Ending balance	**1,357**	**1,315**

The return on “Debt securities” amounts to €47 thousand at year-end 2016 and €50 thousand at year-end 2015 (Note 25).

The fair value of debt securities classified in the portfolio of financial assets at fair value through profit and loss are classified in Level 3 (Note 3.27) as in the measurement of their fair value inputs are used that are not based on observable market data. At 31 December 2016, the nominal value of securities classified in this portfolio amounted to €1,700 thousand (€1,700 thousand at 31 December 2015) with a fair value of €1,357 thousand (€1,315 thousand at 31 December 2015).

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

7.4.3. Equity Instruments

At 31 December 2016 and 31 December 2015 there were no balances classified under this balance sheet heading.

7.5. Available-for-sale financial assets

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

	Thousand euro	
	2016	**2015**
Debt securities	3,976,658	323,501
Equity instruments	195,498	180,643
Total	**4,172,156**	**504,144**

The fair value of assets classified in the "Financial assets available for sale" portfolio are classified on three levels: Level 1 refers to all those assets whose valuation prices are obtained from active markets; Level 2 is for assets having prices or valuations based on variables other than those that apply to Level 1 and which are directly or indirectly observable in the market; and Level 3 contains assets whose valuation or valuation price is provided by a third party or calculated internally on the basis of in-house criteria and models (Note 3.27).

7.5.1 Debt securities

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

	Thousand euro	
	2016	**2015**
Central banks	-	-
Spanish Public Administrations	2,887,938	250,100
Credit institutions	80,458	7,490
Other resident sectors	227,569	62,488
Non-resident public administrations	780,483	248
Other non-resident sectors	2,436	3,318
Doubtful assets	-	-
Measurement adjustments:	-	-
Value adjustments for asset impairment	(2,226)	(143)
Total	**3,976,658**	**323,501**

At 31 December 2016 the balance “Debt securities" totalling, €1,919,175 thousand were loaned on warranty (€37,895 thousand at 31 December 2015), of which €1,426,213 thousand (€936 thousand at 31 December 2015), were pledged under a loan agreement that encumber securities and other assets concluded with the Spanish Central Bank (Note 7.8.3) as well as €34,999 thousand (€36,959 thousand at 31 December 2015) corresponded to “Time Deposits”.

The interest accrued in 2016 and 2015 relating to debt securities totalled €18,549 and €4,300 thousand respectively (Note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Beginning balance	**323,501**	**752,673**
Acquisitions	5,688,611	302,305
Sales and redemptions	(7,166,025)	(699,151)
Transfers	5,122,839	-
Portfolio cost correction	(73,119)	195
Accrued interest	61,260	(4,934)
Measurement adjustments to equity	21,675	(27,960)
Hedge adjustments	-	-
Value adjustments for asset impairment	(2,084)	373
Ending balance	**3,976,658**	**323,501**

Transfers made during 2016 from the "Assets available for sale" portfolio mainly relate to bonds linked to the reserve fund of an asset securitization fund that has been reclassified to the "Loans and receivables" portfolio (Note 7.7).

The profits recorded on the income statement due to the disposal of assets classified in the "Assets available for sale" portfolio at 31 December 2016 amounted to €120,944 thousand (€14,422 thousand at 31 December 2015) (Note 25).

Impairment losses accounted for at year-end 2016 and 2015 for assets under "Financial assets available for sale - debt securities" break down as follows:

	Thousand euro	
	2016	**2015**
Beginning balance in the provision	(143)	(516)
Appropriations charged to income statement (Note 25)	(17,164)	-
Capital (Note 25)	166	373
Transfers	-	-
Cancellation due to use and other	14,915	-
Ending balance in the provision	**(2,226)**	**(143)**

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

7.5.2 Equity Instruments

This heading of the accompanying consolidated balance sheets records the financial instruments issued by other entities, such as shares, contributions and participating quotas that are considered to be equity instruments by the issuer, except for those companies in which control is exercised, a stake exceeding 20% is held or, if a lower shareholding is held, significant influence is maintained. This account includes interests in investment funds.

At 31 December 2016 and 31 December 2015 the breakdown of the balance, based on the sector in which the issuer is active, is as follows:

	Thousand euro	
	2016	**2015**
From credit institutions	15,217	15,187
Other resident sectors	103,509	90,925
Non residents	76,772	74,531
Total	**195,498**	**180,643**

The profits recorded on the income statement due to the disposal of assets classified under this heading at 31 December 2016 amounted to €15,146 thousand (€33,360 thousand at 31 December 2015) (Note 25).

Income from "Equity instruments" at 31 December 2016 and 2015 amounted to €4,909 thousand and €3,512 thousand, respectively (Note 25).

At the end of the years 2016 and 2015 the account "Equity instruments", breakdown as follows, based on whether or not the shares making up the heading are listed or not, as well as the percentage the stake represents compared with the total:

	2016		**2015**	
	Thousand euro	**% of total**	**Thousand euro**	**% of total**
Listed:	**123,385**	**63,11%**	**120,398**	**66.65%**
Cost	123,355	63.10%	120,372	66.64%
Measurement adjustments to equity	30	0.02%	26	0.01%
Value adjustments for impairment	-	-	-	-
Not listed:	**72,113**	**36.89%**	**60,245**	**33.35%**
Cost	65,384	33.44%	65,002	35.98%
Measurement adjustments to equity	19,770	10.11%	21,134	11.70%
Value adjustments for impairment	(13,041)	(6.67%)	(25,891)	(14.33%)
Total	**195,498**	**100.00%**	**180,643**	**100.00%**

In 2016 and 2015 the account "Equity instruments" reflects the following movements, excluding impairment losses and making a distinction between securities that are listed on an organized market and those that are not listed:

	Thousand euro			
	Listed		**Not listed**	
	2016	**2015**	**2016**	**2015**
Beginning balance	**120,398**	**24,129**	**86,136**	**152,253**
Acquisitions	9,529	208,265	5,546	4,447
Disposals	(6,546)	(110,924)	(5,133)	(75,550)
Transfers	-	-	-	-
Measurement adjustments to equity	4	(1,072)	(1,395)	4,986
Ending balance	**123,385**	**120,398**	**85,155**	**86,136**

During 2016 the Group made additions to securities not listed on an official market relating to the contribution to Fondo de Capital Riesgo Ged Sur, F.C.R. in the amount of €36 thousand, to the shareholding in the newly created company Sociedad de Procedimientos de Pago, S.L. in the amount of €129 thousand and to the increase in the shareholding in C.R. Jaén in the amount of €182 thousand as a result of the merger of this company (acquiring company) and Novanca (target company) and the additions to Visa investment amounting €3,305 thousand. t also redeemed interests in several venture capital funds totalling €3,567 thousand, the disposal of the cost of Novanca in the portfolio in the amount of €918 thousand, as previously indicated, the disposal due to the liquidation of the venture capital fund Andalucía Capital Desarrollo, F.C.R. in the amount of €292 thousand and the divestments from the companies for an overall amount of €264 thousand.

The gain on the sale of the Group's shares in Visa Europe Ltd. is recognised under “Gains/(losses) on the derecognition of financial assets and liabilities not at fair value through profit or loss, net” in the 2016 consolidated statement of profit or loss. On 21 June 2016, Visa Inc. announced that it had closed the acquisition of Visa Europe Ltd., a company in which the Group was a shareholder. The terms of that transaction include, as consideration for the shareholders of Visa Europe Ltd, a cash payment, a payment deferred until three years from the transaction close date and the grant of a certain number of preferred Class C shares. Those shares are, in keeping with the transaction terms, convertible into Class A shares of Visa Inc. at a specific ratio to be determined on the basis of the outcome of certain existing and potential contingencies regarding the establishment of multilateral interchange fees in the European market covered by Visa Europe Ltd.

At 31 December 2015, the Group held bonds issued by the Management Company for Assets Arising from Bank Restructuring (SAREB for its acronym in Spanish and more popularly known as the bad bank) in the amount of €43,400 thousand. These bonds were recognized under "Investments in subsidiaries, joint ventures and associates" on the face of the accompanying condensed consolidated balance sheet. As stipulated in the associated contract, this debt was convertible into shares by the SAREB by virtue of approval of its Board of Directors, which had been expressly empowered to this end.

In 2016, the SAREB notified the Group of its intention to convert the above bonds into shares; the percentage of the face value of each bond effectively converted was 60.29%. As a result, in 2016, a sum of €26,166 thousand subordinated unsecured bonds were converted into 26,166 thousand SAREB shares, valued at €0.43 per share, whose par value was decreased from €1 per share upon conversion to €0.14 per share in the wake of the additional capital reduction carried out to offset the remaining losses, as recognised under "Investments in subsidiaries, joint ventures and associates" on the face of the accompanying condensed consolidated balance sheet.

The most relevant additions at 31 December 2016 relating to securities listed on official markets mainly consist of the new contribution to Trea Asset Management S.G.I.I.C., S.A. in the amount of €4,247 thousand , and the acquisition of shares in BME, Sociedad Holding de Mercados y Sistemas Financieros, S.A for an effective amount of €4,995 thousand. The most significant disposals during the period relate to the sale of certain securities in investment funds with an effective value of €5,300 thousand.

The most significant additions in 2015 relating to securities not listed on an official market mainly include the contribution to the company Gredos San Diego, S.Coop. Mad. in the amount of €2,000 thousand and the acquisition of shares in the companies Sociedad Española de Sistemas de Pago, S.A. and S.G.R. in Valencia for €64 thousand and €34 thousand, respectively.

In 2015 the sale of the companies Autopista del Sureste, C.E.A., S.A. and Metro de Málaga, S.A. also took place, generating a capital gain of €2,573 thousand and €24,865 thousand, respectively, on a carrying amount of €25,648 thousand in the latter case. The rest of the disposals relate to various redemptions of shares in venture capital funds for an overall amount of €160 thousand, and disposals due to the liquidation, capital reduction and refund of share premium at companies for a total of €52 thousand.

The most significant disposals of securities listed on an official market in 2015 related to the sale of securities acquired from the fund Lyxor Ucits ETF IBEX 35 for €21,757 thousand, the sale of securities in credit institutions for €20,003 thousand and other ordinary shares in the private sector for €44,366 thousand.

In 2016 and 2015 the Group recorded investments at cost classified under the heading "Available-for-sale financial assets" for €2,700 thousand and €2,867 thousand, respectively, representing 1.38% of the portfolio (1.59% in 2015), since their fair value could not be reliably determined.

The breakdown of impairment losses booked at year end in 2016 and 2015 for assets under the “Avaible-for-sale assets – Equity Instruments” caption is as follows:

	Thousand euro	
	2016	**2015**
Beginning balance in the provision	**(25,892)**	**(52,025)**
Appropriations charged to income statement (Note 25)	(180)	(12,202)
Capital (Note 25)	450	2,969
Transfers	-	-
Cancellation due to use and other	12,581	35,366
Ending balance in the provision	**(13,041)**	**(25,892)**

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

7.5.3 Measurement adjustments made to equity

In accordance with the description provided in Note 3.1, the re-measurement of "Available-for-sale financial assets", net of taxes, is recorded under equity in "Measurement adjustments", which therefore records the changes in fair value net of taxes (Note 18).

In addition, as is indicated in Note 2.7, it also records, net of taxes and under "Measurement adjustments" in the section “Entities measured using the equity method", the changes in the measurement adjustments for associated companies, after the date of acquisition”.

At 31 December 2016 and 2015, the details of these variations on the consolidated balance sheets are as follows:

	Thousand euro	
	2016	**2015**
Debt securities:	**5,893**	**(10,288)**
Capital losses/gains	7,957	(13,718)
Tax effect	(2,064)	3,430
Other equity instruments:	**13,839**	**14,812**
Capital losses/gains	19,770	21,160
Tax effect	(5,931)	(6,348)
Capital losses/gains in the available-for-sale asset portfolio	**19,732**	**4,523**
Profit/loss for companies accounted for using the equity method	**4,377**	**3,709**
Total measurement adjustments	**24,108**	**8,232**

7.6. Loans and receivables

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

	Thousand euro	
	2016	**2015**
Loans and prepayments - Deposits at credit institutions	296,683	265,060
Loans and prepayments - Customer loans	29,476,094	30,124,580
Debt securities	38,030	50,613
Total	**29,810,807**	**30,440,253**

7.6.1. Loans and advances

Details of assets under “Deposits at credit institutions” caption of the consolidated balance sheets according to the instrument type are as follows:

	Thousand euro	
	2016	**2015**
Term deposits	**156,392**	**88,633**
Doubtful assets	**2,154**	**4,288**
Resident credit institutions	2,154	4,288
Non-resident credit institutions	-	-
Other financial assets	**140,308**	**176,427**
Measurement adjustments:		
Value adjustments for asset impairment	(2,154)	(4,288)
Accrued interest	(18)	**-**
Total	**296,683**	**265,060**

Details of impairment losses recognized at 31 December 2016 and 31 December 2015 for “Deposits at credit institutions” are as follows:

	Thousand euro			
	Value corrections made and not reported	Specific value corrections		Total hedge
	Collectively estimated	Individually estimated	Collectively estimated	
Balance at 31/12/16	**-**	**(4,288)**	**-**	**(4,288)**
Appropriations charged to income statement (Notes 3 and 25)	-	(1,082)		(1,082)
Appropriations recovered taken to income statement (Note 25)	-	3,216	-	3,216
Write-off of defaults against created funds	-	-	-	-
Other changes	-	-	-	-
Balance at 31 December 2016	**-**	**(2,154)**	**-**	**(2,154)**

	Thousand euro			
	Value corrections made and not reported	Specific value corrections		Total hedge
	Collectively estimated	Individually estimated	Collectively estimated	
Balance at 31/12/2015	**-**	**-**	**-**	**-**
Appropriations charged to income statement (Notes 3 and 25)	-	(4,288)	-	(4,288)
Appropriations recovered taken to income statement (Note 25)	-	-	-	-
Write-off of defaults against created funds	-	-	-	-
Other changes	-	-	-	-
Balance at 31 December 2015	**-**	**(4,288)**	**-**	**(4,288)**

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

7.6.2. Loans and Advances - Customer Loans

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

	Thousand euro	
	2016	**2015**
By loan type and status:		
Monetary market transactions through counterparties	340,210	380,073
Commercial bills	790,924	873,608
Secured loans	18,778,937	19,489,037
Other term loans	5,790,092	5,560,323
Finance leases	202,969	144,871
Loans on demand and other	874,179	523,484
Doubtful assets	4,201,543	5,175,783
Other financial assets		
Financial guarantee fees	*14,225*	*16,384*
Other assets	*286,554*	*423,257*
Of which: compliance	*9,672*	*9,496*
Measurement adjustments	(1,803,538)	(2,462,240)
Total	**29,476,094**	**30,124,580**
By depositor sector:		
Spanish Public Administrations	854,749	882,679
Other resident sectors	28,371,203	29,045,227
Non-resident public institutions	-	-
Other non-resident sectors	250,141	196,674
Total	**29,476,094**	**30,124,580**
By type of interest rate		
Indefinite	2,722,610	1,940,888
Variable	26,753,484	28,183,692
Total	**29,476,094**	**30,124,580**

The heading "Other financial assets - Other financial assets" includes other balances receivable by the Group for transactions that are not classified as loans.

During the first half of 2016 the Group sold a credit portfolio consisting of unpaid loans, credit accounts, syndicated financing, discounting facilities, foreign financing, factoring, documentary credit, guarantees, cards and overdrafts, with and without collateral, including some material foreclosed assets deriving from these operations for the companies Baracoa Holdings Designated Activity Company, Percalata Servicios y Gestiones, S.L. and Rodalata Servicios y Gestiones S.L. The gross total amount of the portfolio transferred with all risks and benefits was €601,994 thousand, corresponding to doubtful assets €342,249 thousand euros and to bad debts €259,745 euros.

Also in the second half of 2016, the Group entered into another agreement for the sale of a non-performing loan portfolio to Gescobro Collection Services, S.L, as a result of which the latter has taken full title to these loans. The carrying amount of the portfolio sold was €206,184 thousand.

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

The amount of collateral received in respect of "Loans and advances to customers" at year-end 2016 and 2015:

	Thousand euro 2016	Thousand euro 2015
Normal risk	27,078,089	27,411,036
Of which: Risk under special supervision	*3,285,199*	*4,183,817*
Substandard risk	-	*158,588*
Doubtful risk	4,201,543	5,175,783
Balance at the end of the year	**31,279,632**	**32,586,820**

The amount of the guarantees received in the operations of "Customer loans" at the close of 2016 and 2015, is as follows:

2016	Thousand euro – Maximum amount of real or personal guarantee that may be considered				
	Mortgage loans (loans secured by property)		Other loans with real guarantees		Financial guarantees received
	Residential properties	Commercial properties	Cash (debt instruments issued)	Other	
Loans and prepayments	**12,664,735**	**3,068,663**	**59,543**	**6,692,245**	**-**
Of which: other financial companies	1,390	2,340	52	4,390	-
Of which: non-financial companies	192,475	1,774,611	34,963	3,633,355	-
Of which: households	12,470,856	1,289,689	24,487	2,994,897	-

2015	Thousand euro – Maximum amount of real or personal guarantee that may be considered				
	Mortgage loans (loans secured by property)		Other loans with real guarantees		Financial guarantees received
	Residential properties	Commercial properties	Cash (debt instruments issued)	Other	
Loans and prepayments	**17,080,971**	**2,401,612**	**46,112**	**3,992,179**	**-**
Of which: other financial companies	26	425	-	61	-
Of which: non-financial companies	1,660,029	1,577,147	28,225	2,565,885	-
Of which: households	15,420,916	824,006	17,887	1,376,344	-

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

2016	Thousand euro				
			Rest		Rest
	Total	Spain	European Union	America	MUNDO
Credit institutions	**1,824,057**	**1,797,893**	**23,075**	**571**	**2,518**
Public institutions	**4,569,314**	**3,788,831**	**780,482**	**-**	-
State Administration	3,703,719	2,923,237	780,482	-	-
Other	865,595	865,595	-	-	-
Other financial institutions	**1,789,617**	**1,702,515**	**77,116**	**3,306**	**6,680**
Non-financial companies and individual businesses	**10,754,050**	**10,697,038**	**53,982**	**499**	**2,531**
Real estate development and construction	1,127,081	1,127,081	-	-	-
Execution of civil w orks	14,823	14,823	-	-	-
Other purposes	9,612,147	9,555,134	53,982	499	2,531
Large companies	4,114,575	4,114,172	153	-	249
SMEs and self-employed	5,497,572	5,440,962	53,830	499	2,281
Other households ISFLSH	**16,268,101**	**16,080,646**	**141,226**	**10,061**	**36,168**
Homes	2,407,725	2,224,289	138,393	9,883	35,159
Consumer	416,819	415,845	651	50	273
Other purposes	2,227,334	2,224,289	2,183	127	735
Less: Adjustment in value due to impairment not attributable to specific transactions,	**-**				
Total	**35,205,140**	**34,066,924**	**1,075,882**	**14,437**	**47,897**

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

2015	Thousand euro				
			Rest		Rest
	Total	Spain	European Union	America	MUNDO
Credit institutions	**250,532**	**230,052**	**20,282**	**-**	**198**
Public institutions	**5,484,958**	**4,284,514**	**1,200,444**	**-**	**-**
State Administration	4,496,407	3,295,962	1,200,444	-	-
Other	988,551	988,551	-	-	-
Other financial institutions	**1,006,316**	**904,937**	**94,273**	**506**	**6,600**
Non-financial companies and individual businesses	**12,338,045**	**12,330,712**	**4,075**	**777**	**2,481**
Real estate development and construction	1,763,059	1,762,949	109	-	-
Execution of civil w orks	82,728	82,458	2	-	268
Other purposes	10,492,258	10,485,305	3,963	777	2,213
Large companies	977,026	976,799	227	-	-
SMEs and self-employed	9,515,233	9,508,506	3,736	777	2,214
Other households ISFLSH	**17,245,091**	**17,060,386**	**138,909**	**8,849**	**36,946**
Homes	15,053,192	14,873,652	135,444	8,685	35,412
Consumer	1,336,654	1,333,481	2,102	116	955
Other purposes	855,244	853,254	1,363	48	579
Less: Adjustment in value due to impairment not attributable to specific transactions,	**(48,317)**				
Total	**36,276,625**	**34,810,602**	**1,457,983**	**10,132**	**46,225**

7.6.2.1 Measurement adjustments

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

	Thousand euro	
	2016	**2015**
Measurement adjustments:		
Impairment losses on loans and customer prepayments (Note 7,6,2,3)	(1,761,571)	(2,412,970)
Impairment losses on other financial assets (Note 7,6,2,3)	(9,886)	(9,601)
Accrued interest	49,740	57,200
Total assets at fair value	-	(2,196)
Premium/discount on acquisition	(8,877)	(9,640)
Commissions	(72,945)	(85,033)
Transaction costs	-	-
Total	**(1,803,538)**	**(2,462,240)**

7.6.2.2 Transfer and disposal of financial assets from the balance sheet (Securitisation and Transformations)

The Cooperative Group has made several transfers of assets (mainly securitizations and transformations of assets) regarding customer loans. They have been accounted for in accordance with the policy described in Note 3.5. At 31 December 2016 and 31 December 2015, the active balance of these transactions was as follows:

	Thousand euro	
	2016	2015
Written off the balance sheet:	**370,252**	**277,470**
Loans granted to securitisation funds	214,492	250,606
Other transfers to credit institutions	23,242	26,863
Other transfers	132,518	-
Held in the balance sheet:	**5,943,544**	**5,002,079**
Loans granted to securitisation funds	5,281,019	4,761,566
Other transfers to credit institutions	-	-
Other transfers	662,526	240,513
Total	**6,313,796**	**5,279,549**

The Group has transformed loans into bonds that may be discounted through the assignment of securitization funds that while recorded under the portfolio "Customer loans" allows financing to be obtained by pledging those items. At 31 December 2016, the Group retained €4,953,111 thousand in securitized bonds relating to the above-mentioned transformations of loans and credit lines (€3,826,477 thousand at 31 December 2015) (Note 7.8.c).

Of the aforementioned €4,953,111 thousand in securitization bonds existing at 31 December 2016 (€3,826,477 thousand at 31 December 2015), €2,998,830 thousand (€2,792,521 thousand at 31 December 2015) were pledged in the loan agreement including the encumbrance of securities and other assets concluded with the Spanish Central Bank, (Note 7.8.1).

Commissions on securitized assets written off the consolidated balance sheet and which relate to all those securitizations prior to 1 January 2004 are recognised in Gains or losses on financial assets and liabilities (net) in the consolidated income statement in 2016 and 2015 in an amount of €3,104 and €3,327 thousand, respectively (Note 25).

The net liability recorded in the balance sheet as a balancing entry for the securitized assets maintained on the balance sheet are classified under "Financial liabilities at amortized cost - Customer deposits" totalling €830,626 and €1,061,473 thousand at the end of 2016 and 2015, respectively, under the heading "Shares issued" (Note 7.8.23).

Of the loan investments recorded in the balance sheet, the Cooperative Group has certain balances that have been pledged basically to the securitizations carried out, the issue of mortgage bonds as well as the transformations carried out, as follows:

	Thousand euro	
Secured loans and credit facilities	2016	2015
Securing asset securitisations	6,289,827	5,252,684
Securing mortgages	6,229,686	6,602,999
Total	**12,519,513**	**11,855,683**

In accordance with the minimum coverage established by legislation governing the issue of mortgage bonds and securities, the loans and credit facilities securing these issues have been calculated by applying 125% to the issues in force at the end of 2016 and 2015, which totaled €2,998,830 and €2,792,521 thousand, respectively (Notes 7.8.3 and 7.8.4).

7.6.2.3 Impairment losses on customer loans

Details of impairment losses booked at the end of year 2016 and 2015 for assets recorded under loans and receivables are as follows (Note 7.6.2.1):

	Thousand euro						
	Value adjustments incurred but not reported			Specific value adjustments		Country risk	Total coverage
	General coverage	Special supervision hedge	Sub-prime hedge	Individually estimated	Collectively estimated		
Balance at 31 December 2015	**(45,619)**	**-**	**(78,041)**	**(644,271)**	**(1,645,039)**	**-**	**(2,412,970)**
Appropriations against results (Note 24)	(438,350)	(64,740)		(249,973)	(693,972)	-	(1,447,035)
Recovery of appropriations by credit to results (Note 24)	257,017	-	78,041	461,067	726,412	-	1,522,536
Elimination of delinquent balances against funds arranged	-	-	-	16,345	366,628	-	382,973
Other movements	-	-	-	201,865	(8,941)	-	192,925
Balance at 31 December 2016	**(226,952)**	**(64,740)**	**-**	**(214,967)**	**(1,254,911)**	**-**	**(1,761,571)**

	Thousand euro						
	Value adjustments incurred but not reported			Specific value adjustments		Country risk	Total coverage
	General coverage	Special supervision hedge	Sub-prime hedge	Individually estimated	Collectively estimated		
Balance at 31 December 2014	**(128,180)**	**-**	**(220,601)**	**(950,722)**	**(1,572,152)**	**-**	**(2,871,655)**
Appropriations against results (Note 24)	(6,741)	-	(7,111)	(206,660)	(636,718)	-	(857,229)
Recovery of appropriations by credit to results (Note 24)	89,302	-	149,585	332,455	230,576	-	801,918
Elimination of delinquent balances against funds arranged	-	-	85	51,090	279,609	-	330,784
Other movements	-	-		129,566	53,646	-	183,212
Balance at 31 December 2015	**(45,619)**	**-**	**(78,041)**	**(644,271)**	**(1,645,039)**	**-**	**(2,412,970)**

As indicated in note 7.6.2, in 2016, the Group sold one non-performing and one defaulted loan portfolio. The amount of non-performing loans sold totalled €342,249 thousand; the NPL coverage ratio on these loans averaged 63%. The amount of defaulted loans sold totalled €465,929 thousand; these loans had been fully written down for impairment at the time of the sale.

At 31 December 2015, Grupo Cooperativo Cajamar had classified certain transactions as 'substandard', as provided for and using the nomenclature in Annex IX of Bank of Spain Circular 4/2004 (of 22 December 2014), as subsequently amended. The provision recognised to cover the exposures classified as substandard amounted to €78,041 thousand at that reporting date. This provision was fully reversed in 2016 as a result of application of the new Annex IX introduced by Bank of Spain Circular 4/2016.

The breakdown of impairment losses on “Other financial assets classified within Loans and advances - Loans and advances to customers” at year-end 2016 and 2015 is provided below:

	Thousand euro			
	Value corrections made and not reported	**Specific value corrections**		**Total hedge**
	Collectively estimated	**Individually estimated**	**Collectively estimated**	
Balance at 31.12.15	**(235)**	**(9,366)**	**-**	**(9,601)**
Appropriations charged to income statement (Notes 7.6.3 and 25)	(389)	(676)		(1,065)
Appropriations recovered taken to income statement (Notes 7.6.3 and 25)	405	142	-	547
Write-off of defaults against created funds	-	-	-	-
Other changes	-	233	-	233
Balance at 31 December 2016	**(218)**	**(9,668)**	**-**	**(9,886)**

	Thousand euro			
	Value corrections made and not reported	Specific value corrections		Total hedge
	Collectively estimated	Individually estimated	Collectively estimated	
Balance at 31/12/2014	**(577)**	**(8,407)**	**-**	**(8,984)**
Appropriations charged to income statement (Notes 7.6.3 and 25)	(498)	(1,880)	-	(2,378)
Appropriations recovered taken to income statement (Notes 7.6.3 and 25)	841	768	-	1,608
Write-off of defaults against created funds	-	-	-	-
Other changes	-	153	-	153
Balance at 31.12.15	**(235)**	**(9,366)**	**-**	**(9,601)**

7.6.3. Impairment or reversal of provision for impairment of financial assets not carried at fair value through profit or loss – Loans and receivables

The breakdown of “Impairment or reversal of provision for impairment of financial assets not carried at fair value through profit or loss – Loans and receivables” (note 25) in the consolidated statement of profit or loss for the years ended 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro	
	2016	2015
Charge for the year	**(1,518,977)**	**(940,495)**
Appropriations charged to income statement (Notes 1 and 23)	(1,449,181)	(857,229)
Amortisation net of insolvencies	(69,796)	(83,266)
Recovery of assets in default	**29,181**	**39,086**
Rest of recoveries (Notes 7.6.1 and 7.6.2.3)	**1,526,299**	**801,918**
Total	**36,503**	**(99,491)**

7.6.4 Debt securities

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

	Thousand euro	
	2016	2015
Central banks	-	-
Spanish Public Administrations	-	-
Credit institutions	-	-
Other resident sectors	38,106	50,736
Non-resident public administrations	-	-
Other non-resident sectors	-	-
Doubtful assets	-	-
Measurement adjustments:	-	-
Value adjustments for asset impairment	(76)	(123)
Total	**38,030**	**50,613**

This heading includes financial assets with fixed or determinable payments that are not quoted in an active market, need not be measured at fair value and for which the Group expects to recover its initial outlay in full, other than for reasons attributable to credit deterioration. The assets classified within this heading at both year-ends corresponded to several reserve funds related to an asset securitisation fund which were transferred from “Available-for-sale financial assets”.

No balances were provided as collateral or pledged under the secured loan arrangement with the Bank of Spain at either year-end.

The interest accrued on debt securities amounted to €301 thousand in 2016 (2015: €537 thousand) (note 25).

Movements that have arisen in the balance under this heading of the accompanying consolidated balance sheet in 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Beginning balance	**50,613**	**63,438**
Acquisitions	-	-
Sales and redemptions	(12,626)	(13,234)
Transfers	-	-
Portfolio cost correction	-	-
Accrued interest	(3)	(6)
Masurement adjustments for asset impairment	46	415
Ending balance	**38,030**	**50,613**

The breakdown of impairment losses booked at year end in 2016 and 2015 for assets under the “Loans and receivables – Debt securities” caption is as follows:

	Thousand euro	
	2016	**2015**
Beginning balance in the provision	**(123)**	**(538)**
Appropriations charged to income statement (Note 25)	(83)	-
Capital (Note 25)	129	415
Transfers	-	-
Cancellation due to use and other	-	-
Ending balance in the provision	**(77)**	**(123)**

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

7.6.5 Loans and receivables - Performing assets

The classification by age of performing assets in the loan investment portfolio is as follows:

2016

Thousand euro

	Performing Loans			
	Total	Not due or due <=30 days	Between 30 and 60 days	Between 60 and 90 days
Central banks	**-**	-	-	-
Public Institutions	**897,098**	888,796	8,302	-
Credit institutions	**296,683**	296,683	-	-
Other financial companies	**826,313**	825,861	85	367
Non-financial companies	**7,616,707**	7,482,361	74,942	59,403
Of which: small and medium sized companies	*5,108,949*	*4,976,044*	*73,906*	*58,998*
Of which: secured by commercial properties	*1,181,083*	*1,142,072*	*22,191*	*16,820*
Hogares	**17,697,480**	17,170,628	325,723	201,128
Of which: loans secured by residential properties	*13,778,350*	*13,347,606*	*266,908*	*163,836*
Of which: consumer loans	*380,545*	*375,673*	*2,869*	*2,004*
Total debt instruments at amortised cost	**27,334,281**	**26,664,330**	**409,052**	**260,898**

2015

Thousand euro

	Performing Loans			
	Total	Not due or due <=30 days	Between 30 and 60 days	Between 60 and 90 days
Central banks	**-**	-	-	-
Public Institutions	**881,618**	880,632	-	986
Credit institutions	**264,314**	264,314	-	-
Other financial companies	**944,675**	944,675	-	-
Non-financial companies	**7,059,953**	6,788,597	164,347	107,009
Of which: small and medium sized companies	*6,256,550*	*5,996,299*	*153,856*	*106,394*
Of which: secured by commercial properties	*1,160,506*	*1,089,873*	*44,905*	*25,728*
Hogares	**18,475,877**	17,606,527	489,224	380,125
Of which: loans secured by residential properties	*14,445,110*	*13,731,087*	*403,503*	*310,520*
Of which: consumer loans	*454,018*	*446,431*	*4,694*	*2,894*
Total debt instruments at amortised cost	**27,626,436**	**26,484,745**	**653,571**	**488,121**

7.6.6 Held-to-maturity investment portfolio

The classification of the non-performing assets within the loans and receivables portfolio by age is as follows:

2016 — Thousand euro

	Doubtful							
	Total	Unlikely to be paid <=90 days	Between 90 and 180 days	Outstanding > 180 days <= 1 year	Outstanding > 1 year	*Of which: showing non-payment*	*Of which: impaired*	Real guarantees received on exposures with non-compliance
Central banks	**-**	-	-	-	-	-	-	-
Public Institutions	**3,041**	257	-	-	2,784	*3,041*	*1,800*	389
Credit institutions	**2,154**	2,154	-	-	-	*2,154*	*2,154*	-
Other financial companies	**9,004**	8,163	10	143	688	*9,004*	*9,004*	403
Non-financial companies	**2,545,493**	212,686	70,647	99,364	2,162,796	*2,544,231*	*2,542,541*	1,416,140
Of which: small and medium sized companies	*2,437,494*	*189,221*	*69,574*	*98,676*	*2,080,022*	*2,436,232*	*2,430,059*	*1,394,952*
Of which: secured by commercial properties	*582,693*	*39,723*	*20,923*	*17,008*	*505,039*	*582,693*	*563,196*	*358,341*
Hogares	**1,653,677**	239,463	93,829	126,966	1,193,419	*1,653,677*	*1,652,049*	1,156,265
Of which: loans secured by residential properties	*1,276,832*	*190,130*	*64,507*	*86,646*	*935,548*	*1,276,832*	*1,276,818*	*972,225*
Of which: consumer loans	*8,595*	*605*	*1,902*	*2,210*	*3,878*	*8,595*	*8,563*	*522*
Total debt instruments at amortised cost	**4,213,369**	**462,723**	**164,486**	**226,473**	**3,359,687**	**4,212,107**	**4,207,547**	**2,573,197**

2015 — Thousand euro

	Doubtfoul							
	Total	Unlikely to be paid <=90 days	Between 90 and 180 days	Outstanding > 180 days <= 1 year	Outstanding > 1 year	*Of which: showing non-payment*	*Of which: impaired*	Real guarantees received on exposures with non-compliance
Central banks	**-**	-	-	-	-	-	-	-
Public Institutions	**9,880**	-	-	262	9,617	*9,864*	-	-
Credit institutions	**4,792**	4,792	-	-	-	*4,792*	*4,792*	-
Other financial companies	**8,019**	8,015	-	-	4	*8,019*	*8,019*	-
Non-financial companies	**3,410,243**	374,000	68,203	209,349	2,758,691	*3,406,079*	*3,388,828*	1,586,975
Of which: small and medium sized companies	*3,264,633*	*325,314*	*67,667*	*179,119*	*2,692,534*	*3,263,533*	*3,253,511*	*1,535,919*
Of which: secured by commercial properties	*672,684*	*80,295*	*21,331*	*58,114*	*512,945*	*672,674*	*665,250*	*421,583*
Hogares	**1,756,633**	269,109	91,348	125,353	1,270,823	*1,756,195*	*1,754,680*	1,209,088
Of which: loans secured by residential properties	*1,356,384*	*192,637*	*67,456*	*93,780*	*1,002,511*	*1,356,384*	*1,356,384*	*995,491*
Of which: consumer loans	*4,553*	*356*	*1,229*	*1,548*	*1,419*	*4,552*	*4,553*	*559*
Total debt instruments at amortised cost	**5,189,567**	**655,916**	**159,551**	**334,964**	**4,039,136**	**5,184,948**	**5,156,319**	**2,796,062**

The amount of accumulated finance income accrued on impaired loans to customers and recognised in the consolidated statement of profit or loss before the impairment was recognised stood at €18,340 thousand euros at year-end 2016 (€22,752 thousand euros at year-end 2015).

The reconciliation of impairment losses on “Loans and advances - Loans and advances to customers” at the beginning and end of the reporting period:

	Thousand euro	
	2016	**2015**
Balance at the beginning of the year	**5,175,783**	**5,852,187**
Net inflows	(632,077)	(241,464)
Transfer to assets in default	(342,163)	(434,940)
Balance at the end of the year	**4,201,543**	**5,175,783**

7.7 Held to maturity investment portfolios

Details of the “Held-to-maturity investment portfolio” caption on the consolidated balance sheets are as follows:

	Thousand euro	
	2016	**2015**
Debt securities	-	4,490,163
Total	**-**	**4,490,163**

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

	Thousand euro	
	2016	**2015**
Central banks	-	-
Spanish Public Administrations	-	3,152,039
Credit institutions	-	29,876
Other resident sectors	-	95,256
Non-resident public administrations	-	1,200,197
Other non-resident sectors	-	15,227
Doubtful assets	-	-
Measurement adjustments:	-	-
Value adjustments for asset impairment	-	(2,432)
Micro-hedge transactions	-	-
Total	**-**	**4,490,163**

The balance of the account "Debt securities" classified in the investment portfolio held to maturity at 31 December 2015, mainly derived from the acquisition of certain securitization bonds and corporate bonds.

At 31 December 2015, the total balance of €2,115,714 thousand recognised in this balance sheet item relates to "Assets sold under repurchase agreements" handed over as collateral.Additionally, a total nominal amount of €1,384,000 thousand was pledged under the credit agreement, consisting of securities and other assets, vis-à-vis the Bank of Spain.

Variations in the balance of this caption on the accompanying consolidated sheets during 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Beginning balance	**4,490,163**	**15,390**
Acquisitions	630,000	4,488,758
Sales and redemptions	(6,131)	(4,747)
Transfers	(5,122,839)	-
Portfolio cost correction	81,334	(81,446)
Accrued interest	(74,959)	74,637
Measurement adjustments to equity	-	-
Measurement adjustments for asset impairment (-)	2,432	(2,429)
Ending balance	**-**	**4,490,163**

Transfers during 2016 relate to assets that have been classified entirely in the portfolio "Assets available-for-sale" (Note 7.5.1).

During 2016 the accrued amount relating to the portfolio of investments held-to-maturity totalled €10,413 thousand, while the interest accrued in 2015 on debt securities in this portfolio totalled €37,894 thousand (Note 25).

Set out below is a breakdown of impairment losses recognized at 31 December 2016 and 2015 on assets in the item "Held-to-maturity investments – Debt securities":

	Thousand euro	
	2016	**2015**
Beginning balance in the provision	**(2,432)**	**(3)**
Appropriations charged to income statement (Note 25)	-	(2,432)
Capital (Note 25)	2,432	3
Transfers	-	-
Cancellation due to use and other	-	-
Ending balance in the provision	**-**	**(2,432)**

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

7.8. Financial liabilities at amortized cost

Details of this liabilities caption on the accompanying consolidated balance sheets at 31 December 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Deposits at central banks	5,087,000	3,865,204
Bank deposits	757,410	975,247
Customer deposits	26,800,734	29,135,892
Issued debt securities	2,251,016	2,758,699
Subordinated debt	100,773	-
Other financial liabilities	388,666	360,689
Total	**35,385,599**	**37,095,731**

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

7.8.1 Deposits at central banks

The balances under this heading on the accompanying consolidated balance sheets at 31 December 2016 and 2015 are comprised as follows:

	Thousand euro	
	2016	**2015**
Bank of Spain	**5,087,000**	**3,862,440**
Other central banks	**-**	**-**
Measurement adjustments:		
Accrued interest	-	2,764
Total	**5,087,000**	**3,865,204**

The balance recorded under the account "Spanish Central Bank" at 31 December 2016, in accordance with the loan agreement including the pledge of securities and other assets concluded with the Spanish Central Bank in accordance with the mechanisms that govern the monetary policy for the Eurosystem and which involve pledged assets totaling €7,500,044 thousand (€6,252,098 thousand at 31 December 2015), (Notes 7.5.1, 7.6.2.2., 7.7 and 7.8.4).

7.8.2 Deposits at credit entities

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

	Thousand euro	
	2016	**2015**
Current accounts	**1,891**	**255**
Term deposits	**564,215**	**572,395**
Repurchase agreements	**100,000**	**246,155**
Other accounts	**88,622**	**152,647**
Measurement adjustments	**2,682**	**3,795**
Accrued interest		
Resident entities	2,614	3,723
Non-resident entities	67	72
Total	**757,410**	**975,247**

7.8.3 Customer deposits

Details of this caption under “Financial liabilities at amortised cost” in the liabilities section in the accompanying consolidated balance sheets, taking into consideration the counterparty and type of financial instrument, are as follows:

	Thousand euro	
	2016	**2015**
Monetary market transactions through counterparties	**614,302**	**1,910,374**
Spanish Public Administrations	**1,295,427**	**1,215,855**
Other resident sectors:	**24,611,288**	**25,733,631**
Demand deposits:	**14,888,151**	**12,386,693**
Current accounts	6,017,759	4,879,076
Savings deposits	8,824,659	7,469,247
e-cash	3,938	3,328
Other sight deposits	41,795	35,042
Fixed- term deposits:	**9,679,210**	**13,267,128**
Time deposits	8,763,813	12,115,822
Home saving account	5,030	6,220
Shares issued (Note 7.6.2.2)	830,626	1,061,473
Cash received	*5,796,566*	*4,901,059*
Debt securities (-) (Note 7.6.2)	*(4,953,111)*	*(3,826,477)*
Other	*(12,829)*	*(13,109)*
Other securities associated with financial assets transferred	-	-
Hybrid financial liabilities	79,742	83,613
Temporary assignment of assets	**34,999**	**36,936**
Measurement adjustments	**8,928**	**42,874**
Non-resident public institutions	**-**	**-**
Other non-resident sectors	**279,716**	**276,032**
Total	**26,800,734**	**29,135,892**

At 31 December 2016, the balance of assets sold under repurchase agreement totaled €34,999 thousand was included in the “Available-for-sale fixed income portfolio” (€36,936 thousand at 31 December 2015) (Note 7.5.1) and of the total amount recognized in 2016, €330 thousand were classified in “Public administrations”, at 31 December 2015 they were all classified in “Other resident sectors”.

The balance recognised in the account "Term deposits" at 31 December 2016 and 31 December 2015, includes various mortgage bond issues made in accordance with the provisions of Law 2/1981 (25 March), on Mortgage Market Regulations. During 2015 two issues of mortgage bonds totalling €800,000 thousand were amortized and during 2016 the issues that were active at the end of 2015 in the amount of €700,000 thousand were amortized.

At 31 December 2016, a net profit of €42 thousand was recognised in respect of buy-backs of securitisation bonds included in the account “Securities issued” (8.219 at 31 December 2015).

Note 6.6 on liquidity risk provides a breakdown of this item by period to maturity.

7.8.4 Payables represented by negotiable securities

The details of this caption on the accompanying consolidated balance sheets, taking into consideration the type of financial liability, are as follows:

	Thousand euro	
	2016	**2015**
Promissory notes and bills	-	-
Mortgage bond	4,983,749	4,482,399
Other secured bonds	325,000	325,000
Treasury shares	(3,075,000)	(2,075,000)
Measurement adjustments	17,267	26,300
Total	**2,251,016**	**2,758,699**

The movement of each type of financial liability during 2016 and 2015, without taking into account valuation adjustments, is as follows:

	Thousand euro				
	2016				
	Beginning balance	Emissions	Repurchases or redemptions	Adjustments for exchange rate and other	**Ending balance**
Debt securities issued in a EU member state that required the registration of a prospectus,	**2,732,399**	1,500,000	(1,998,650)	-	**2,233,749**
Of which:					
Promissory notes and bills	**-**	-	-	-	**-**
Mortgage bond	**2,732,399**	1,500,000	(1,998,650)	-	**2,233,749**
Other secured bonds	**-**	-	-	-	**-**

	Thousand euro				
	2015				
	Beginning balance	Emissions	Repurchases or redemptions	Adjustments for exchange rate and other	**Ending balance**
Debt securities issued in a EU member state that required the registration of a prospectus,	**1,245,903**	1,486,496	-	-	**2,732,399**
Of which:					
Promissory notes and bills	**-**	-	-	-	**-**
Mortgage bond	**1,245,903**	1,486,496	-	-	**2,732,399**
Other secured bonds	**-**	-	-	-	**-**

During 2016 and 2015 no issuance of promissory notes and Other guaranteed bonds has been made.

During 2016, the Group has amortized two issues of mortgage bonds totaling €998,650 thousand, of which €500,000 thousand were recorded as "Own securities", and it has made three new issues totaling €1,500,000 thousand which have been fully repurchased, In 2015 the Group issued two mortgage bonds totaling €1,486,496 thousand.

The details of the issues made, and pending for hed under “Mortgage securities” account at 31 December 2016 areb as follows:

Mortgage securities

Date		Thousand euro				
Issue	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
25/10/2011	25/10/2021	500,000	(500,000)	BBB+ / AH / Baa3u / A-	Fitch / DBRS /Moodys /Standard & Poor´s	5.50%
22/11/2013	22/11/2018	747,278	-	BBB+ / AH / A-	Fitch / DBRS / Standard & Poor´s	3.75%
03/07/2012	03/07/2017	749,975	(750,000)	BBB+ / AH / Baa3u / A-	Fitch / DBRS /Moodys /Standard & Poor´s	5.50%
26/01/2015	26/01/2022	742,515	-	BBB+ / AH / A-	Fitch / DBRS / Standard & Poor´s	1.25%
22/10/2015	22/10/2020	743,981	-	BBB+ / AH / A-	Fitch / DBRS / Standard & Poor´s	1.00%
14/04/2016	30/06/2020	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	1.00%
14/04/2016	30/06/2021	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	1.00%
14/04/2016	30/06/2022	500,000	(500,000)	BBB+ / AH	Fitch / DBRS	1.00%
	Total issues	**4,983,749**	**(2,750,000)**			

Mortgage bond repurchases are intended to increase the volume of discountable securities that the Group holds in its portfolio, which may be deployed in the context of the implementation of European monetary policy.

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

Date		Thousand euro				
Issue	**Maturity**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**
14/02/2012	14/02/2017	325,000	(325,000)	BBB-	Fitch	5.00%
	Total issues	**325,000**	**(325,000)**			

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

The Group did not generate any gains on the various buybacks of “Mortgage securities” or “Other non-convertible securities” in 2016 and 2015.

The interest accrued on debt securities in 2016 amounted to €54,758 thousand (€57,580 thousand in 2015) (Note 25); this interest is included within “Interest and similar income" in the accompanying income statement.

At 31 December 2016, the balance of €3,075,000 thousand (€2,075,000 thousand at 31 December 2015) “Mortgage-backed securities” was pledged as collateral under the credit agreement with the Spanish Central Bank containing a pledge on securities and other assets (Note 7.8.1).

7.8.5 Subordinated liabilities

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

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

	Thousand euro	
	2016	**2015**
Subordinated marketable debt securities	**99,600**	**-**
Convertible	**-**	-
Non-convertible	99,600	-
Subordinated deposits	-	**-**
Measurement adjustments	1,173	**-**
Total	**100,773**	**-**

The movement during 2016 and 2015; is as follows:

	Thousand euro	
	2016	**2015**
Beginning balance	**-**	**120,592**
Acquisitions	99,600	-
Disposals	-	(120,592)
Transfers	**-**	**-**
Ending balance	**99,600**	**-**

In 2016 the Group carried out an issue of subordinated bonds, the details of which are as follows:

Date		Thousand euro						
Issue	**Maturity**	**Nominal amount**	**Cash**	**Treasury shares**	**Rating**	**Agency**	**Interest rate**	**Issue**
03/11/2016	03/11/2026	100,000	99,600	-	B	Fitch	9.00%	Fixed Rate Reset Subordinated Notes due 3 November 2016
	Total issues	**100,000**	**99,600**	**-**				

Over the course of 2015 the Group amortized the issues of subordinated bonds that it recognized at the end of 2014 totalling €120,592 thousand.

Interest accrued during 2016 and 2015 year on these subordinated bonds totalled €1,461 and €6,297 thousand, respectively (Note 25) and they are included under the heading “Interest and similar charges” in the accompanying consolidated income statement.

Note 6.6 on liquidity risk provides a breakdown of this item by period to maturity.

7.8.6 Other financial liabilities

All of the financial liabilities recorded in this account in the accompanying consolidated balance sheet are classified into the “Financial liabilities at amortized cost" portfolio and therefore they are recognised at amortized cost Includes the amount of bonds payable that take the form of financial liabilities not included under other headings.

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

	Thousand euro	
	2016	**2015**
Current liabilities	49,334	30,770
Guarantees received	4,130	17,017
Clearing house	113,977	111,432
Tax collection accounts	91,753	78,441
Special accounts	32,008	29,639
Financial guarantees	14,051	17,315
Other items	83,414	76,075
Total	**388,666**	**360,689**

8. Asset and liability hedging derivatives

This caption in the accompanying consolidated balance sheets records the hedging instruments carried at fair value in accordance with the explanation provided in Note 3.4.

At 31 December 2016 and 31 December 2015, the fair value of asset derivatives totaled €10 and €19,840 thousand, respectively, and the fair value of liability derivatives totalled €647 and €1,359 thousand, respectively.

The contracted derivatives and the hedged items were as follows:

- Interest Rate Swap, hedging customer deposits bearing fixed interest rates.
- Equity Swap, hedging customer deposits that bear interest based on a reference to several stock market indexes.
- Embedded derivatives segregated from the primary contract, designated as hedging instruments for "Customer Deposits" in accounting hedges.

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

The fair value of hedging derivatives is classified in Level 2 because the valuations are calculated on the basis of observable market inputs (Note 3.27).

The notional values of financial derivatives recorded as "Hedging derivatives" at 31 December 2016 and 2015 are set out below by counterparty, remaining term and type of risk:

	Thousand euro							
	2016				2015			
	Carrying amount		Notional amount		Carrying amount		Notional amount	
	Assets	Liabilities	Total hedges	Of which: sold	Assets	Liabilities	Total hedges	Of which: sold
	-	-	-	-	19,840	-	500,000	-
OTC Options	-	-	-	-	-	-	-	-
Other OTC	-	-	-	-	19,840	-	500,000	
Options on organized markets	-	-	-	-	-	-	-	-
Others on organized markets	-	-	-	-	-	-	-	-
	10	647	162,339	-	1	1,359	170,524	-
OTC Options	-	-	-	-	-	-	-	-
Other OTC	10	647	162,339	-	1	1,359	170,524	
Options on organized markets	-	-	-	-	-	-	-	-
Others on organized markets	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Default hedge swaps	-	-	-	-	-	-	-	-
Loan spread options	-	-	-	-	-	-	-	-
Total yield swaps	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	10	647	162,339	-	**19,840**	**1,359**	**670,524**	**-**
	-	647	162,339	-	**19,840**	**1,359**	**670,524**	**-**
Of which: OTC - credit institutions	-	222	81,169	-	19,840	522	585,247	-
Of which: OTC - other financial companies	-	-	-	-	-	-	-	-
Of which: OTC - rest	-	424	81,169	-	-	838	85,277	-

9. Non-current assets for sale and associated liabilities

The details of this caption on the accompanying consolidated balance sheets at 31 December 2016 and 2015 are as follows:

	Thousand euro	
	2016	2015
Property, plant and equipment for own use:	49,986	64,149
Investment property	21,931	31,870
Other assets assigned to operating leases	-	-
Property, plant and equipment foreclosed	550,073	476,021
Value adjustment for asset impairment	(93,485)	(83,454)
Total	**528,506**	**488,586**

Details of non-current assets held for sale classified by use, without taking into account impairment adjustments, are as follows:

	Thousand euro							
	Residential		Industrial		Agriculture		Other	
Property, plant and equipment	2016	2015	2016	2015	2016	2015	2016	2015
Assets for own use	1,352	761	48,634	63,388	-	-	-	-
Foreclosed	444,957	387,448	88,817	74,267	11,315	9,657	4,984	4,649
Investment property	7,648	12,180	12,684	17,683	926	1,911	673	96
Total	**453,958**	**400,389**	**150,136**	**155,338**	**12,241**	**11,568**	**5,657**	**4,745**

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

The fair value of the tangible assets recorded in this caption at 31 December 2016 and 2015, matches the book value.

Details of movement recorded in these captions on the consolidated balance sheet, without taking into account impairment losses, during 2016 and 2015, are as follows:

	Thousand euro		
Cost	Property, plant and equipment for own use:	Foreclosed	Investment Properties
Balance at 31/12/2014	**91,646**	**403,133**	**18,372**
Acquisitions	1	137,582	47
Disposals	(1,841)	(41,552)	(2,050)
Transfers (Notes 12 and 15)	(25,657)	(23,142)	18,269
Balance at 31/12/15	**64,149**	**476,021**	**34,638**
Acquisitions	-	133,233	2
Disposals	(2,329)	(65,451)	(846)
Transfers (Notes 12 and 15)	(11,833)	6,270	(10,077)
Balance at 31 December 2016	**49,986**	**550,073**	**23,716**
Accumulated amortisation			
Balance at 31/12/2014	**-**	**-**	**(2,542)**
Acquisitions	-	-	-
Disposals	-	-	37
Transfers (Notes 12 and 15)	-	-	(263)
Balance at 31/12/15	**-**	**-**	**(2,768)**
Acquisitions	-	-	-
Disposals	-	129	31
Transfers (Notes 12 and 15)	-	(129)	951
Balance at 31 December 2016	**-**	**-**	**(1,786)**

In 2016 the Group transferred certain assets for its own use and investment properties, mainly commercial premises, to this heading for a net amount of €21,910 thousand (€7,388 thousand in 2015) and the carrying value is expected to be recovered upon disposal.

At 31 December 2016 eliminations from sales total €65,451thousand in foreclosed assets and €2,329, thousand in tangible assets for own use (€41,552 thousand and €1,841 thousand, respectively at 31 December 2015).

In 2016 loans have been granted to finance the sale of property, plant and equipment foreclosed by the Group totalling €31,347 thousand (€28,510 thousand in 2015). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2016 was 46.16% (62.36% for the year 2015). There are gains pending recognition on the sale of these assets at 31 December 2016 and 31 December 2015 totalling €1,882 thousand and €2,131 thousand respectively.

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

	Thousand euro		
	Property, plant and equipment for own use:	**Foreclosed**	**Investment Properties**
Impairment losses			
Balance at 31/12/2014	**(3,811)**	**(62,135)**	**(2,351)**
Appropriations charged to income statement (Note 25)	(531)	(24,274)	(1,111)
Deductions credited to profit and loss (Note 25)	-	1,459	159
Cancellation due to transfer, use and other	3,655	8,647	(3,161)
Balance at 31/12/15	**(687)**	**(76,303)**	**(6,464)**
Appropriations charged to income statement (Note 25)	(7,162)	(15,440)	(366)
Deductions credited to profit and loss (Note 25)	23	2,091	83
Cancellation due to transfer, use and other	626	9,735	380
Balance at 31 December 2016	**(7,200)**	**(79,917)**	**(6,367)**

10. Investments

This caption from the accompanying consolidated balance sheets corresponds to the value of shareholdings in associates whose details, together with important information at 31 December 2016 and 2015 are included in Appendix I.

	Thousand euro	
	2016	**2015**
Investments in joint ventures and associates		
Associates	96,679	69,184
Jointly controlled entities	-	-
Total	**96,679**	**69,184**

At year-end 2016 and 2015, the “Investments” caption reflected the value of investments accounted for by the equity method and had the following movements:

	Thousand euro	
	2016	**2015**
Beginning balance	**69,184**	**62,887**
Entry due to transfer, purchase and share capital increase	25,054	484
Sale of shares and refund of contributions	(13,974)	(11,559)
Results in Entities measured using the equity method	15,767	17,248
Other consolidation movements	648	124
Ending balance	**96,679**	**69,184**

The results in "Shareholdings" in entities measured using the equity method at 31 December, 2016 and 2015 totalled €15,767 thousand and €17,248 thousand, respectively (Note 25).

The most relevant additions in 2016 originated from the participation in the incorporation of the company GCC Consumo Establecimiento Financiero de Crédito, S.A. and the share capital increase carried out by Parque Científico-Tecnológico de Almería, S.A. The interest in the latter was also increased in 2015.

Details of investments at 31 December 2016 and al 31 December de 2015 is as follows:

	Thousand euro	
	2016	**2015**
Cajamar Vida, S.A. de seguros y reaseguros	42,845	38,830
Agrocolor, S,L	616	573
Parque de Innovación y Tecnológico de Almería, S.A.	4,826	3,994
Murcia Emprende, S,C,R, S.A.	1,039	1,095
Apartamentos Media Luna, S.A.	17,955	17,725
Biocolor, S,L,	282	181
Cajamar Seguros Generales, S,A	8,678	6,660
Hábitat Utiel, S,L,	1	1
Proyecta Ingenio, S,L,	23	18
Renovables la Unión, S,C,P,	84	84
Sabinal Agroservicios, S,L,	23	24
GCC Establecimiento Financiero de Crédito, S.A.	20,308	-
Total	**96,679**	**69,184**

In 2004, 50% of the share capital of Cajamar Vida, S.A. de Seguros y Reaseguros, was sold to Generali España, Holding de Entidades de Seguros, S.A. and the Entity kept the remaining 50% of the shares. In accordance with the share purchase agreement, which will end in 15 years. The overall price consists of a fixed price of 9,508 thousand Euros that was collected in 2004 and a variable price that will be calculated based on the value of the business and the net value of the assets in 2019. On 14 April 2011, an amending novation agreement was concluded, guaranteeing an additional initial price of 94 million Euros, of which 50 million Euros was collected at the signing date and the remainder will be collected in years three, five and seven of the agreement. The variable payment calculation was also modified and will be determined based on the appraisal value of Cajamar Vida, S.A. de Seguros y Reaseguros, to be calculated as stated in the agreement; payment will fall due at the end of year fifteen as from the novation date, provided the business reaches a certain minimum value. In 2014 €18.8 million were collected as the first remainder payment and their interests accrued, as the second payment deferred (€18.2 million). The variable payment is also modified and will be determined annually based on the appraisal value of Cajamar Vida, S.A. de Seguros y Reaseguros, calculated as stated in the agreement; payment will fall due at the end of year fifteen as from the novation date, provided the business reaches a certain minimum value.

In order to include certain agreements reached as a result of the new configuration of SIP and therefore the Network through which Cajamar Vida's Personal Insurance and Pension Plans are distributed and will be distributed in the future (Note 1.), on 22 July 2015. Banco de Crédito Social Cooperativo, S.A. and Generali entered into a novation agreement modifying the agreement for the purchase - sale of Cajamar Vida shares entered into on 4 February 2004 and novated on 14 April 2011. As a result of the contract novation, the parties agreed a new sales plan for new production which amended the variable price collection parameters and included a new advance price (fixed closed amount which may not be revised under any circumstance or for any reasons) amounting to €40 million, recognised at 31 December 2015 under Gains or losses on financial assets and liabilities carried at fair value through profit or loss. The novation contract included cross trading options over the shares sold between the Group and Generali España, Holding de Entidades de Seguros, S.A. exercisable under certain conditions.

On 4 August 2016 the contract was novated for the third time, in which the Accrued Variable Price was included and represents the recognition on each anniversary of the variable price as a fixed amount that cannot be revised. The agreement will be automatically extended if the accrued variable price is higher than the accrued price on the 15th anniversary, up until the time at which that price exceeds or equals the accrued variable price. The annual change in the present value of the accrued variable price is recognized under the heading “Other financial assets at fair value through changes in profit or loss” (Note 7.4). The amount recognized in 2016 was €47,433 thousand.

At 31 December 2016 and 2015, the item “Loans and advances to customers – Valuation adjustments” included no balance for profits and from the sale of shareholdings pending recognition, due to the financing of the sales.

11. Tangible assets

Details of this caption on the consolidated balance sheets at 31 December 2016 and 2015 are as follows:

	Thousand euro	
	2016	2015
Own use	683,184	681,018
Investment property	364,082	338,529
Other assets assigned under operating leases:	-	-
Linked to the Education and Promotion Fund	2,486	4,136
Value adjustments for impairment	(65,739)	(74,785)
Total	**984,013**	**948,898**

The breakdown of tangible assets for own use recorded under this caption on the consolidated balance sheet and the movements during 2016 and 2015, in this caption, are as follows:

	Thousand euro					
OWN USE	**Computer hardware**	**Furniture, Installations and Other**	**Buildings**	**Construction in progress**	**Other**	**TOTAL**
Cost						
Balance at 31/12/2014	**168,216**	**436,201**	**577,175**	**58,190**	**23,572**	**1,263,353**
Acquisitions	9,937	21,659	5,234	14,354	-	51,184
Disposals	(12,151)	(12,553)	(318)	-	(12)	(25,033)
Transfers	62	2,934	20,183	(47,230)	903	(23,149)
Balance at 31/12/15	**166,064**	**448,241**	**602,275**	**25,313**	**24,463**	**1,266,355**
Acquisitions	12,005	19,158	830	7,019	689	39,700
Disposals	(18,474)	(8,952)	(8,958)	-	-	(36,384)
Transfers	60	2,277	12,998	(6,819)	3,676	12,193
Balance at 31 December 2016	**159,654**	**460,724**	**607,145**	**25,512**	**28,828**	**1,281,864**
Accumulated amortisation						
Balance at 31/12/2014	**(147,049)**	**(334,968)**	**(82,465)**	**-**	**(1,834)**	**(566,316)**
Acquisitions	(9,094)	(22,726)	(7,827)	-	(271)	(39,918)
Disposals	9,131	11,410	318	-	-	20,858
Transfers	(18)	18	92	-	(53)	39
Balance at 31/12/15	**(147,030)**	**(346,267)**	**(89,883)**	**-**	**(2,158)**	**(585,337)**
Acquisitions	(7,127)	(22,131)	(7,956)	-	(290)	(37,504)
Disposals	21,842	6,183	1,100	-	-	29,125
Transfers	(3,426)	1,239	224	-	(3,002)	(4,964)
Balance at 31 December 2016	**(135,741)**	**(360,975)**	**(96,515)**	**-**	**(5,449)**	**(598,680)**

OWN USE	Computer hardware	Furniture, Installations and Other	Buildings	Construction in progress	Other	TOTAL
	Thousand euro					
Impairment losses						
Balance at 31/12/2014	**-**	**-**	**(226)**	**-**	**-**	**(226)**
Acquisitions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cancelllation due to use, transfer and other	-	-	-	-	-	-
Balance at 31/12/15	**-**	**-**	**(226)**	**-**	**-**	**(226)**
Acquisitions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cancelllation due to use, transfer and other	-	-	226	-	-	226
Balance at 31 December 2016	**-**	**-**	**-**	**-**	**-**	**-**

The breakdown of investment properties, operating leases and assets assigned to the Education and Development Fund recorded under this caption on the consolidated balance sheet and the movements during 2016 and 2015, in this caption, are as follows:

	Thousand euro				
	Investment Properties			**Linked to the Education and Promotion Fund**	
	Buildings	Rural properties, land and plots	Furniture, vehicles and other installations	Furniture and installations	Buildings
Cost					
Balance at 31/12/2014	**246,161**	**714**	**-**	**4,337**	**7,286**
Acquisitions	57,786	144	-	36	-
Disposals	(1,963)	-	-	(7)	-
Transfers	54,230	-	-	-	-
Balance at 31/12/15	**356,214**	**858**	**-**	**4,366**	**7,286**
Acquisitions	7,108	1,162	91	15	-
Disposals	(2,305)	(20,529)	-	(8)	-
Transfers	(56,136)	111,787	995	(1,483)	(3,676)
Balance at 31 December 2016	**304,881**	**93,278**	**1,086**	**2,890**	**3,610**
Accumulated amortisation					
Balance at 31/12/2014	**(14,721)**	**-**	**-**	**(3,922)**	**(3,409)**
Acquisitions	(4,264)	-	-	(66)	(126)
Disposals	41	-	-	7	-
Transfers	401	-	-	-	-
Balance at 31/12/15	**(18,543)**	**-**	**-**	**(3,981)**	**(3,535)**
Acquisitions	(4,670)	-	(108)	(53)	(114)
Disposals	1,263	-	-	8	-
Transfers	504	-	(24)	1,272	2,389
Balance at 31 December 2016	**(21,447)**	**-**	**(132)**	**(2,754)**	**(1,260)**

	Thousand euro				
	Investment Properties			**Linked to the Education and Promotion Fund**	
	Buildings	Rural properties, land and plots	Furniture, vehicles and other installations	Furniture and installations	Buildings
Impairment losses					
Balance at 31/12/2014	**(57,078)**	**-**	**-**	**-**	**-**
Appropriations charged to income statement (Note 25)	(3,744)	-	-	-	-
Deductions credited to profit and loss (Note 25)	84	-	-	-	-
Cancellation due to transfer, use and other	(13,820)	-	-	-	-
Balance at 31/12/15	**(74,558)**	**-**	**-**	**-**	**-**
Appropriations charged to income statement (Note 25)	(5,000)	-	-	-	-
Deductions credited to profit and loss (Note 25)	6,984	-	-	-	-
Cancellation due to transfer, use and other	(6,750)	-	-	-	-
Balance at 31 December 2016	**(79,324)**	**-**	**-**	**-**	**-**

In 2016 sales and write-offs of certain property, plant and equipment generated gains totalling €2,050 thousand (€1,971 thousand at 31 December 2015) and losses totalling €3,812 thousand (€6,054 thousand at 31 December 2015) (Note 25). In 2016 the Group granted financing on the sale of certain assets for a total of €1,158 thousand, which represents 51.91% of the average total sales carried out during the year.

At 31 December 2016 the Group did not have any gains yet to be recognized originating from the financing of the sale of certain assets classified as investment property, while at 31 December 2015 there was an amount of €139 thousand pending recognition in this respect.

At 31 December 2016 the Group has commitments to acquired assets totalling €1,093 thousand (€250 thousand at 31 December 2015).

Fully depreciated assets still in use by the Group at 31 December 2016 totalled €392,083 thousand (€350,781 thousand at 31 December 2015).

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

Rental income from investment properties amounted to €9,546 thousand in 2016 (€6,888 thousand in 2015) (Note 25). Expenses recognized in connection with these investments amounted to €1,021 thousand in 2015, (€1,396 thousand in 2015) (Note 25).

12. Intangible Assets

Details of this caption on the accompanying consolidated balance sheets at 31 December 2016 and 2015 are as follows:

		Thousand euro	
	of estimated useful life	**2016**	**2015**
With an indefinite useful life	**-**	**99,136**	**110,151**
With a defined useful life		**288,847**	**275,378**
Software	3 – 6 years	61,876	48,511
Administrative and other concessions	35 years	18,510	18,406
Other intangible assets	3 – 10 years	208,461	208,461
Gross total		**387,983**	**462,374**
Of which:			
Internally developed	-	-	-
Other	3 – 35 years	387,983	462,374
Accumulated amortisation/depreciation	**-**	(132,452)	(99,193)
Impairment losses	**-**	(6,473)	(6,473)
Net total		**249,058**	**279,863**

The movement of the intangible assets with a finite useful life included in this caption on the consolidated balance sheet throughout the years 2016 and 2015 has been as follows:

	Thousand euro	
	2016	**2015**
Cost		
Beginning balance	**275,378**	**261,098**
Acquisitions	13,469	14,280
Disposals	-	-
Other	-	-
Ending balance	**288,847**	**275,378**
Amortisation/depreciation		
Beginning balance	**(99,193)**	**(66,001)**
Acquisitions	(33,259)	(33,192)
Disposals	-	-
Other	-	-
Ending balance	**(132,452)**	**(99,193)**
Impairment losses		
Beginning balance	**(6,473)**	**(6,473)**
Acquisitions	-	-
Disposals	-	-
Other	-	-
Ending balance	**(6,473)**	**(6,473)**
Net total	**149,922**	**169,712**

Intangible assets with indefinite useful lives relate mainly to the goodwill generated in the merger of Cajamar Caja Rural Sociedad Cooperativa de Crédito and Caja Rural del Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito in November 2012, which led to the incorporation of Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Goodwill arose in the amount of differences between the fair value of the new Entity's instruments and Ruralcaja's shareholders' funds, as well as intangible assets referred to customers and contracts related to it, whose net value amounted to €95,096 thousand.

The International Accounting Standards adopted by the European Union (EU-IFRS) and in particular International Accounting Standard 36 (IAS 36) require goodwill to be tested for impairment on at least an annual basis. To this end, it must be allocated to the CGUs expected to benefit from the synergies of the business combination. In general, an impairment loss is recognised only if the recoverable amount of the CGU to which goodwill has been allocated is lower than its carrying amount.

Under IAS 36, if a reorganisation in functional structure takes place that changes the composition of one or more of the CGUs to which goodwill has been allocated, the goodwill should be redistributed among the affected units. During 2015, the Group continued work to streamline the business, undertaking a new reorganisation process consisting basically of (i) completing the integration of the office networks of the entities merged in recent years; (ii) optimising costs; and (iii) reallocating the office network from some CGUs to others. As a result of these changes, the goodwill was again reallocated to new CGUs, in proportion to their fair values, as in the previous year (five CGUs).

At 31 December 2016 the Group has calculated the value in use of the five CGUs identified. The methodology used was the "dividend discount" method, determined as the sum of the present value of future flows of dividends and the current residual value.

The assumptions used for determining the value in use are:

- The projection of the financial statements from the business plan prepared by the Group.

- Use of net interest income ratios on total average assets of around 1.8% and 2.4% during the most recent projected periods.

- Progressive decrease in NPLs over the projected periods.

- For the residual value, the following assumptions have been used:

    - Tax rate of 25%.
    - Cost of capital between 9.44% and 10.44%.
    - Perpetual growth between 2.13% and 3.13%.
    - BISIII Capital requirements of 11.3%.

- The discount rate used was the cost of capital, 9.94%.

The Group compared each CGU's value-in-use range with its carrying amount; on the basis of the assumptions considered and the methodology employed, probable impairment of the goodwill amounting to between €6 and €16 million was observed at 31 December 2016. Using these assumptions, estimated value in use is sufficient to cover the range of probable impairment of the shareholders' funds of the CGUs to which the goodwill relates. However, Group management has adopted the most conservative approach, recognizing an impairment loss of €11 million, (€12 million at as 31 December 2015).

A sensitivity analysis of this value was performed for reasonably possible changes to the key valuation variables (distributable cash flow used to calculate the terminal value, perpetuity growth rate of that cash flow and discount rate), observing that such changes would not in any case generate the need to record an additional impairment loss for the investment.

Fully amortized intangible assets still in use by the Group at 31 December 2016 totalled €92,677 thousand (€84,925 thousand at 31 December 2015).

13. Provisions

Details of this caption on the consolidated balance sheets at 31 December 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Provision for pensions and other post-employment defined benefit obligations,	3,003	6,580
Provision for other non-current employee remuneration	6,499	10,012
Provisions for commitments and guarantees granted	43,808	22,206
Loan grant commitments (Note 21,2)	*8,340*	-
Financial guarantees and other commitments (Note 21,1)	*35,468*	*22,206*
Other provisions	253,524	67,608
Total	**306,834**	**106,406**

13.1 Pension fund and similar obligations

The breakdown of the consolidated balance sheet items recognised under assets and liabilities for defined benefit pension commitments is as follows:

	Thousand euro	
	2016	**2015**
Net pension plan assets (Note 15) (b)	(309)	(262)
Provisions - Provisions for pensions and similar liabilities	9,502	16,592

The present value of the commitments based on the assumptions indicated in Note 3.20, applied to the post-employment compensation items by the Group and the manner in which these commitments were hedged, giving rise to the aforementioned consolidated balance sheet items, is as follows:

	Thousand euro							
	2016				**2015**			
	Active and retired employees		**Early retirees**	**Other commitments**	**Active and retired employees**		**Early retirees**	**Other commitments**
	Other assets	**Provisions**	**Provisions**		**Other assets**	**Provisions**	**Provisions**	
Present value of the obligations								
Commitments accrued with active employees	1,405	37,527	-	-	1,277	36,437	-	-
Commitments accrued with early retired employees	-	-	6,499	-	-	-	10,012	-
Commitments with retired employees	1,679	27,706	-	-	1,633	26,947	-	-
Fair value of the plan's net assets		-	-	-				
Pension plan assets	(20)	(36,850)	-	-	-	(35,523)	-	-
INSURANCE CONTRACTS	(3,373)	(25,380)	-	-	(3,172)	(21,281)	-	-
Actuarial gains not recognised in the balance sheet (+)	-	-	-	-	-	-	-	-
Actuarial losses not recognised in the balance sheet (-)	-	-	-	-	-	-	-	-
Cost of past services not yet recognised in the balance sheet (-)	-	-	-	-	-	-	-	-
Other assets not recognised in the balance sheet	-	-	-	-	-	-	-	-
(Other assets) / Provisions recognised in the balance sheet	**(309)**	**3,003**	**6,499**	**-**	**(262)**	**6,580**	**10,012**	**-**

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

	Thousand euro							
	2016				2015			
	Active and retired employees		Early retirees	Other commitments	Active and retired employees		Early retirees	Other commitments
	Other assets	Provisions	Provisions		Other assets	Provisions	Provisions	
(Other assets) / Provisions beginning balance for the year	**(262)**	**6,580**	**10,012**	**-**	**(65)**	**346**	**14,929**	**-**
Allocations made during the year	61	2,018	46	-	59	1,154	571	-
Gains and losses on other long-term benefits	-	-	25	-	-	-	(1,076)	-
Actuarial gains and losses adjusted to equity	(85)	(674)	-	-	(175)	5,867	-	-
Recovered funds	-	-	-	-	-	-	-	-
Other changes	(15)	13	-	-	-	(9)	-	-
Cash outflows	(8)	(4,934)	(3,584)	-	(81)	(778)	(4,412)	-
			-				-	
(Other assets) / Provisions ending balance for the year	**(309)**	**3,003**	**6,499**	**-**	**(262)**	**6,580**	**10,012**	**-**

The breakdown of total expenses and income recognized on the consolidated income statement in relation to pensions during 2016 and 2015, distributed between the different items, is as follows:

	Thousand euro	
	2016	2015
Personnel expenses - Allocations to defined benefit plans (Note 25)	(1,955)	(1,778)
Interest income - Yield on plan assets (Note 25)	(1,318)	(1,962)
Pension funds interest expense (Note 25)	1,148	1,873
Allocations to pension funds and similar obligations:	(34)	1,134
Book (expense) / Income	**(2,159)**	**(733)**

The contributions for defined benefit pension commitments made by the Group in 2016 and 2015 to the external pension plan totalled €12,212 thousand and €11,200 thousand, which have been recorded under the heading "Personnel expenses" in the consolidated income statement for those years (Note 25).

No contingent liabilities have arisen as a result of severance payments and/or post-employment benefits for employees.

There are no amounts that have not been recognised in the balance sheet with respect to actuarial gains (losses), cost of past services and unrecognised assets.

13.2 Provisions for contingent risks and commitments

The details of this consolidated balance sheet caption and the movements which occurred during 2016 and 2015 are as follow:

	Thousand euro				
	Individually estimated hedge	**Special supervision hedge**	**Sub-prime hedge**	**Collectively estimated hedge**	**Total**
Balance at 31/12/2014	**16,789**	**-**	**522**	**3,525**	**20,836**
Appropiation (Notes 21 and 25)	7,518	-	-	189	**7,707**
Recovers (Notes 21 and 25)	(3,876)	-	-	(2,460)	**(6,336)**
Other changes	521	-	(522)	-	**(1)**
Balance at 31/12/2015	**20,952**	**-**	**-**	**1,254**	**22,206**
Appropiation (Notes 21 and 25)	3,303	52	-	40,150	**43,505**
Recovers (Notes 21 and 25)	(20,649)	-	-	(1,254)	**(21,903)**
Other changes	-	-	-	-	**-**
Balance at 31/12/2016	**3,606**	**52**	**-**	**40,150**	**43,808**

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Group guarantees the obligations of a third party as a result of financial guarantees granted or other agreements, and contingent commitments, which are understood to be irrevocable commitments that could give rise to the recognition of financial assets (Note 21).

13.3 Other provisions

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

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

Other liabilities, estimating probable payments deriving from the Group's normal activities.

The movement of this account during the years 2016 and 2015 is as follows:

	Thousand euro			
	Market	**Services**	**Other liabilities**	**Total**
Balances at 31 December 2014	**3,355**	**5,169**	**73,000**	**81,524**
Profit and loss for the year (Note 25)	1	7,194	29,999	**37,194**
Capital (Note 25)	-	(198)	(31,100)	**(31,298)**
Funds used and other movements	(320)	-	(19,492)	**(19,812)**
Balances at 31 December 2015	**3,036**	**12,165**	**52,407**	**67,608**
Profit and loss for the year (Note 25)	202,271	12,220	12,777	**227,268**
Capital (Note 25)	(1,036)	(7,687)	(642)	**(9,365)**
Funds used and other movements	(406)	(692)	(30,889)	**(31,987)**
Balances at 31 December 2016	**203,865**	**16,006**	**33,653**	**253,524**

The Group maintains at 31 December 2016 a provision for "Other Liabilities "of €12,163 thousand (€24,406 thousand at 31 December 2015), to adequately cover the commitments arising from the Collective Restructuring Agreement, Fusion and Labor Framework, subscribed by the Group's Management on 27 December 2012 and the totality trade union representation, which included a restructuring record of employment regulation which most relevant measure is a voluntary early retirement plan orientated to those employees who are at least 55 years old (53 years oldin the case of those located in Comunidad Valenciana).

In 2015, the entity Cajamar Caja Rural, Sociedad Cooperativa de Crédito implemented a restructuring plan to manage the surplus workforce, resulting in 227 lay-offs through voluntary measures only, consisting of voluntary redundancies and contract suspensions, from December 2015 to June 2016; voluntary mobility measures have also allowed staffing needs to be rebalanced in each of the Entity's territories, a provision for other liabilities of €9,811 thousand having been recognised at 31 December 2016 (19,872 at 31 December 2015).

In 2013, Grupo Cooperativo Cajamar eliminated the so-called 'mortgage floors' on all the mortgages affected by the Spanish Supreme Court sentence of 9 May 2013. Without prejudice to the foregoing, with the aim of covering the contingency related to potential lawsuits in the wake of the recent sentence (21 December 2016) issued by the EU Court of Justice, at year-end 2016, the Group has recognised a €200,000 thousand provision, which is the maximum amount it estimates it could have to pay out if required to retroactively provide reimbursements in respect of all its customer mortgages, including those affected by the Supreme Court ruling.

14. Tax assets and liabilities – Corporate income tax

The breakdown of tax assets and liabilities at 31 December 2016 and 2015, respectively, is as follows:

	Thousand euro			
	Assets		Liabilities	
	2016	2015	2016	2015
Current taxes	**8,571**	**30,234**	**55,023**	**20,425**
Deferred tax liabilities	**1,059,962**	**975,371**	**92,204**	**88,990**
For temporary differences:				
Goodwill on the acquisition of assets	766	838	635	636
Losses from impairment of assets	195,623	145,559	-	-
Pension funds and other insurance	52,807	45,597	-	-
Unaccrued fees BSC 4/2004	260	545	-	-
Ealy retirement and dismissal fund	6,898	6,948	-	-
Impairment losses on Credits, loans and discounts	451,989	435,454	-	-
Funds and provisions created	71,468	36,955	-	-
Excess allocation to amortisation/depreciation (Law 16/2012)	9,838	11,093	-	-
Fair value of loans and other	58,925	58,772	-	-
Limitation on the deduction of financial expenses	13,002	13,002	-	-
Acquisition of available- for- sale financial assets	-	3,808	-	-
Business combinations (VII)	-	625	-	-
Revaluation of properties	-	150	47,452	48,603
Acquisition of available- for- sale financial assets	3,358	1,176	9,571	7,731
Other revaluation reserves	-	-	333	333
Intangible assets and other	1,442	-	31,622	31,623
Actuarial gains and losses	1,617	1,652	154	15
Other	2,868	840	2,437	49
Tax-loss carryforwarfds	**187,543**	**205,724**	**-**	**-**
Tax deductions and credits	**1,558**	**6,633**	**-**	**-**
Total	**1,068,533**	**1,005,605**	**147,227**	**109,415**

The balance under the heading "Tax assets" records the amounts to be recovered over the coming twelve months ("Tax assets - Current") and the amounts of the taxes to be recovered in future years, including those deriving from tax-loss carry forwards or tax credits for deductions or benefits yet to be applied ("Tax assets - Deferred"). The balance under the heading "Tax liabilities" include the amount of all tax liabilities, making a distinction between current and deferred items, except for any provisions for taxes that are recorded under the heading "Provisions" in the accompanying consolidated balance sheets.

The breakdown of deferred tax assets and liabilities included in the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

	Thousand euro			
	Assets		**Liabilities**	
	2016	**2015**	**2016**	**2015**
Balance at beginning of the year	**975,371**	**955,794**	**88,990**	**97,041**
Adjustments from prior years	**1,548**	**1,214**	**(532)**	**959**
Corporate income tax				
Losses from impairment of assets	49,976	18,649	-	-
Goodwill	(71)	(11)	-	321
Pension funds and other insurance	7,969	65	-	-
Impairment losses on Credits, loans and discounts	(19,786)	(9,419)	-	-
Unaccrued fees BSC 4/2001	(286)	(368)	-	-
Funds and provisions created	35,105	16,427	-	-
Early-retirement fund	43	-	-	-
Impairment of foreclosed properties	-	2,690	-	-
Excess allocation to amortisation/depreciation (Law 16/2012)	(1,217)	(1,233)	-	-
Business combinations	(626)	-	-	-
Limitation on the deduction of financial expenses	-	1,777	-	-
Tax-loss carryforwards yet to be offset	(9,157)	4,663	-	-
Deductions and credits	(444)	(20,172)	-	-
Revaluation of properties	(150)	-	(673)	(617)
Intangible assets and other	1,596	59	53	(7,243)
Other	61	(32)	526	-
Transfers and other				
Acquisition of available- for- sale financial assets	(1,624)	3,833	1,842	(1,314)
- Change in non-current assets and liabilities	21,688	-	-	-
Actuarial gains and losses	(34)	1,540	139	(118)
Other	-	(105)	1,859	(39)
Balance at the end of the year	**1,059,962**	**975,371**	**92,204**	**88,990**

There are no tax assets relating to positive temporary differences, tax-loss carry forwards or unrecorded tax credits for deductions at 31 December 2016 and 2015.

Banco de Crédito Cooperativo,S.A., along with several of its non-financial investees, applied the consolidated tax regime provided for in Spain's Corporate Income Tax Act for the first time in 2016. However, the savings banks (*cajas*) that form part of the Group file their corporate income tax returns separately, i.e., they are not part of the consolidated tax group headed up by Banco de Crédito Cooperativo, which is why it is not possible to derive consolidated taxable income corresponding to the Group.

In the reconciliation provided for 2016, the adjustments made in respect of loan-loss and other asset impairment charges and contributions to employee benefit schemes, including early retirement schemes as warranted (which give rise to monetisable deferred tax assets) corresponding to the savings banks are made to tax payable before deductions and not taxable income as a result of the amendments introduced to Spanish Law 20/1990 on the tax regime applicable to cooperatives by means of Law 27/2015. In the reconciliation provided for 2015, those same adjustments are applied to taxable income.

Merely for informational purposes, the table below reconciles accounting profit and taxable income for 2016 and 2015 by aggregating profit for the year and the individual taxable incomes of the Group entities:

	Thousand euro	
	2016	2015
Aggregate results before consolidation	**(29,889)**	**(51,165)**
Adjustment to prior-year corporate income tax	797	76
Book profit/(loss) before taxes	**(29,092)**	**(51,089)**
Permanent differences	**(63,869)**	**(55,436)**
Appropriation to Community Project	(1,949)	(1,393)
Mandatory Reserve Fund	(2,389)	(1,928)
Interets on share capital contributions	(34,444)	(37,802)
Dividends and other	(25,087)	(14,313)
Adjusted book results	**(92,961)**	**(106,525)**
Timing differences	**297,298**	**123,170**
Losses from impairment of assets	165,441	71,574
Goodwill	(271)	(1,271)
Pension funds and other insurance	-	247
Impairment losses on Credits, loans and discounts	2,243	(38,033)
Unaccrued fees BSC 4/2001	(1,117)	(1,438)
Funds and provisions created	130,501	62,882
Excess allocation to amortisation/depreciation (Law 16/2012)	(4,610)	(4,756)
Revaluation of properties	1,999	2,127
Amortization of intangible assets	5,508	26,006
Portfolio measurement adjustments	(200)	(514)
Limitation on the deduction of financial expenses	-	6,346
Other changes in fair value	(2,196)	-
Tax base before application of Tax-loss carryforwards	**204,337**	**16,645**
Of which:		
Positive tax base	303,041	132,165
Tax-loss carryforwards	(98,705)	(115,520)
Offset of prior year tax loss carryforwards	**(9,388)**	**(7,503)**
Tax Base	**194,948**	**9,142**
Gross tax payable (-25%)	**52,223**	**-**
Of which:		
Gross tax payable	77,957	-
Negative tax base	(25,734)	-
Monitizable tax asset expenses and losses (applied to tax payable)	**(30,651)**	**-**
Impairment losses on Credits, loans and discounts	(31,298)	-
Pension funds and other insurance	647	-
Application of the limit on monetizable tax assets	**18,143**	**-**
Gross tax payable (30% / -25%)	**39,715**	**21,087**
Of which:		
Gross tax payable	65,450	35,013
Negative tax base	(25,734)	(13,926)
Tax credits for tax-loss carryforwards	(14,602)	(7,583)
Tax deductions and credits	(498)	(22,619)
Withholdings and interim payments	(20,231)	(21,255)
Other	-	-
Tax payable/(refundable)	**30,118**	**(16,444)**

The breakdown of corporate tax included in the consolidated income statement at 31 December 2016 and 2015 is as follows:

	Thousand euro	
	2016	**2015**
Gross tax payable (30% / 25%)	(12,413)	(12,545)
Tax deductions and credits	-	-
Adjustments to prior year corporate income tax	(1,719)	(248)
Corporate income tax,	**(14,132)**	**(12,793)**

The Group has applied the tax benefits relating to the corporate income tax deductions and credits that are allowed by applicable legislation,

In addition to the income tax recognised in the consolidated statement of profit or loss in 2016 and 2015, the Group recognised the following amounts and items in equity (deferred taxes):

	Thousand euro	
	2016	**2015**
Restatement of property, plant and equipment	47,452	48,602
Revaluation of intangible assets	31,622	31,676
Fair value Equities portfolio (Note 7.5.2.)	5,931	6,348
Fair value Fixed income portfolio (Note 7.5.1.)	2,064	(3,430)
Fair value Loans and non-current assets held for sale	(52,343)	(53,163)
Actuarial gains and losses	(1,463)	(1,636)

Movements in corporate income tax expenses and revenues reflected in the statement of recognised revenues and expenses totalling €5,299 thousand Euros at 31 December 2016 (11,231 thousand euros at 31 December 2015), relate to the heading Available-for-sale financial assets and to the heading actuarial income and expenses in defined benefit pension plans.

Royal Decree-Law 14/2013, of 29 November, took effect on 30 November 2013, amending the consolidated text of the Corporate Income Tax Act, stipulating that for tax years beginning from 1 January 2011, charges for the impairment of loans and other assets deriving from the potential insolvency of debtors other than the taxpayer and provisions or contributions to pension and, as warranted, early retirement, schemes, which had generated deferred tax assets, will be added to taxable income in keeping with the provisions of the said Act up to the limit of taxable income before their inclusion and before the utilization of tax losses. Effectiveness of this amendment affects the Entity to the extent that during the years to which it applies it did not have sufficient taxable income to utilize its recognized deferred tax assets.

Royal Decree 14/2013 and Law 27/2014 on corporate income tax in effect since 1 January 2015 lay down that deferred tax assets corresponding to charges for the impairment of loans and other assets deriving from the potential insolvency of debtors not related to the taxpayer and from transfers or contributions to staff welfare schemes and, if appropriate, early retirement, will be converted into a (monetisable) credit against the tax authorities in the events envisaged in the relevant legislation. The monetisable tax assets at 31 December 2016 totaled €570,620 thousand (€546,770 thousand at 31 December 2015).

Spanish Law 48/2015 (of 29 October 2015) on the general state budget for 2016 amended the treatment of monetisable deferred tax assets, introducing the requirement that monetisable tax assets generated in tax periods starting prior to 1 January 2016 had to have been included to determine the corporate income tax charge and, if not, had to have been the subject of payment of an annual 'asset charge' of 1.5% in order to qualify for conversion into a claim enforceable vis-a-vis the tax authorities. The expense accrued by the Group in 2016 respect of this 'asset charge' amounted to €8,209 thousand.

Banco de Crédito Social Cooperativo, S.A. and the subsidiaries that meet the requirements of corporate income tax regulations to form a tax consolidated group for corporate income tax purposes have agreed to apply the special tax consolidation scheme provided by Corporate Income Tax Law 27/2014 with effect as from 2016. Accordingly, in the coming years the Bank and all the entities in which it owns a direct or indirect shareholding of at least 75% and the majority of voting rights will form a corporate income tax consolidated group.

A breakdown of tax-loss carryforwards, deductions and allowances available for offset in future years at 31 December 2016 and 2015 is as follows:

		Thousand euro	
Year generated	**Purpose**	**2016**	**2015**
2016	Tax credits for tax-loss carryforwards	8,100	-
2016	Deductions and credits	-	-
2015	Tax credits for tax-loss carryforwards	11,416	13,938
2015	Deductions and credits	1,029	-
2014	Tax loss carryforwards	5,867	6,477
2014	Deductions and credits	86	856
2013	Tax loss carryforwards	147	177
2013	Deductions and credits	64	84
2012	Tax credits for tax-loss carryforwards	159,433	182,439
2012	Deductions and credits	134	461
2011	Tax credits for tax-loss carryforwards	481	531
2011	Tax loss carryforwards non-financial companies	-	-
2011	Deductions and credits	76	622
2010	Tax credits for tax-loss carryforwards	2,056	2,107
2010	Deductions and credits	162	918
2009	Tax credits for tax-loss carryforwards	-	14
2009	Deductions and credits	7	1,290
2008	Tax credits for tax-loss carryforwards	-	-
2008	Deductions and credits	-	2,399
2007	Deductions and credits	-	3
2004	Tax loss carryforwards non-financial companies	41	41
		189,099	**212,357**

In view of the projections under the Grupo Cooperativo Cajamar's budgets and future projections, the Group expects to recover the monetisable deferred assets derived from tax credits and the tax credits for loss carryforwards in the ten future years.

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

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

15. Other assets and liabilities

The details of the balance of these captions in the assets and liabilities sections on the accompanying consolidated balance sheets for the years 2016 and 2015 are as follows:

Other Assets	Thousand euro 2016	Thousand euro 2015
Accruals and deferred income	9,154	8,534
Inventories		
Amortized cost	1,825,428	1,759,768
Value adjustments for asset impairment	(528,674)	(529,728)
Rest:		
Net pension plan assets (Note 13,1) (b)	309	262
Transactions in progress	3,596	3,608
Other items	183,127	164,473
Total	**1,492,942**	**1,406,917**

OTHER LIABILITIES	Thousand euro 2016	Thousand euro 2015
Accruals and deferred income	88,022	86,523
Rest:		
Transactions in progress	9,882	6,532
Other items	265,443	248,013
Education and promotion fund (Note 16)	7,808	9,448
Total	**371,155**	**350,516**

The heading "Inventories" includes the asset balances, including land and other properties that are for sale during the ordinary course of the business.

The movements of assets mentioned in the above paragraph on the consolidated balance sheets, without taking into account valuation adjustments, throughout 2016 and 2015, is as follows:

Cost	Thousand euro 2016	Thousand euro 2015
Beginning balance	**1,759,768**	**1,644,061**
Acquisitions	322,153	267,238
Disposals	(208,453)	(150,979)
Transfers	(48,040)	(552)
Ending balance	**1,825,428**	**1,759,768**

Impairment losses	Thousand euro 2016	Thousand euro 2015
Beginning balance	**(529,728)**	**(487,301)**
Net allocations of recoveries with effect on results	(315,981)	(103,621)
Recovery of funds against results	238,405	2
Cancellations, use, transfers and other	78,630	61,192
Ending balance	**(528,674)**	**(529,728)**

The fair value of inventories recorded under this caption at 31 December 2016 and 2015 matches the book value.

In 2016 eliminations from sales of Inventories net value total €162,808 thousand (€136,071 in 2015). In 2015 loans have been granted to finance the sale of inventories by the Group totalling €81,468 thousand (€105,030 thousand in 2015). The average percentage financed compared with the total amount of foreclosed assets sold at 31 December 2016 was 37.90% (59.26% at 31 December 2015).

16. Promotion and Education Fund

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

The basic lines of application of the Education and Development Fund are as follows, in accordance with the provisions of the Entities' by-laws.

- The training and education of members and employees of the Entity with respect to cooperative principles and values, as well as the dissemination of the characteristics of cooperativism in social and rural environments and other cooperative action of a socio-cultural nature.

- The encouragement of action relating to the dissemination of cooperativism, cooperation and cooperative integration.

- Cultural, professional and assistance development at the local level or for the community in general, to contribute to the improvement of quality of life and social welfare.

- The participation in strategies and programmes that respond to the needs of social development, protection of the environment and economic development of the Group's action zones.

At the individual level, each credit Entity forming part of the Cooperative Group carries out their own activities financed by the Education and Development Fund and the most significant in 2016 and 2015 are as follows:

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

- The performance of socio-economic studies and the publication of documents relating to the agro-food businesses and the economy in general, including industry analyses and studies and the publication of reports and memoranda by the Technical Agro-food Service.

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

- Encouraging cooperation with key organisations and institutions in the agri-food and cooperative sector to increase the competitiveness of its associates.

- Network of university professorships to generate and transfer knowledge of activities related to the agri-food sector and cooperativism.

- Support for universities has continued in order to continue contributing to the development of basic and applied research, improved training and job-market insertion for university students, as well as economic, social and cultural progress in our area of activity.

- As regards the promotion of social welfare through culture and sport, carried out to offer activities for children and young people through Cajamar's municipal educational theatre campaign "Educateatro", the creative writing competition "Educaletras", painting and drawing competitions for children, and a number of performing arts activities in the Entity's premises, in addition to supporting the Provincial Sports Games and the programme to promote values in sport "Juega Limpio" ("Play Clean"). The general population enjoyed talks on a variety of health issues, workshops with new and established writers, and musical activities that included the International Julián Arcas Classical Guitar Competition, As regards welfare, vulnerable populations were supported by funding work projects undertaken generally by non-profit organisations, both for self-assistance and its efforts regarding various types of beneficiaries,

- Support for programs and initiatives aimed at economic and social development and assistance support, developed by members of the Solidarity Team of our entity.

The management of the Education and Development Fund falls to the Governing Bodies of participating entities, or to the persons delegated by them with respect to specific actions. Its members prepare a budget proposal based on the purposes established in the basic lines of application and it is submitted for the approval of the General Assemblies at the ordinary meeting held each year.

The Fund's activities have been brought into line with the basic lines of application approved by General Assemblies and the items that contribute to the promotion of the cultural environment are notable, as are those intended to strengthen the values of the cooperative movement.

The itemised breakdown of the balances related to the Group's Education and Development Fund, at 31 December 2016 and 2015, is the following:

	Thousand euro	
	2016	2015
Application of the Education, Training and Promotion Fund		
Property, plant and equipment:	**2,486**	**4,136**
Cost	6,501	11,652
Accumulated amortisation/depreciation	(4,015)	(7,516)
Other receivables	**-**	**-**
Total	**2,486**	**4,136**
Promotion and Education Fund		
Appropriation:	**6,082**	**7,791**
Applied to property, plant and equipment (Note 11)	2,350	3,751
Applied to other investments	136	385
Expenses committed during the year	6,545	20,289
Current year maintenance expenses	(5,491)	(17,661)
Amount not committed	2,542	1,027
Other liabilities	**1,726**	**1,657**
Total	**7,808**	**9,448**

The budget of expenses and investments of the Fund for Education and Promotion for 2016 amounted to €6,545 thousand (€20,289 thousand in 2015). Movements in property, plant and equipment linked to the Education and Development Fund are set out in detail in Note 11.

Movement in the Fund during 2016 and 2015 is as follows:

	Thousand euro	
	2016	2015
Beginning balance	**9,448**	**11,953**
Distribution of prior year surplus credit cooperatives	1,393	5,112
Extraordinary appropriation	3,520	11,684
Maintenance expenses for the year	(5,491)	(17,661)
Other	(1,062)	(1,640)
Ending balance	**7,808**	**9,448**

17. Own funds

Equity on the accompanying consolidated balance sheets at 31 December 2016 and 2015 breaks down is as follows:

	Thousand euro 2016	Thousand euro 2015
Share capital	**1,048,978**	**1,045,398**
Authorized	1,048,978	1,045,398
Less: Uncalled capital	-	-
Share premium account	**-**	**6,999**
Parent entity reserves	**(2,743)**	**(30,744)**
Non-distributable reserves:	**836**	**-**
Legal reserve	*836*	-
Statutory reserve	-	-
Unrestricted reserves:	**(3,579)**	**(30,744)**
Voluntary reserves	-	*(27,519)*
Retained earnings	-	-
Prior year losses:	-	-
Actuarial gains or losses on defined benefit pension plans	*(3,579)*	*(3,225)*
Equity of group cooperative companies subject to solvency commitment	**2,844,693**	**2,736,572**
Equity of Cajamar Caja Rural subject to solvency commitment	**2,607,305**	**2,508,022**
Contributions to the share capital of Cajamar Caja Rural	***2,419,240***	***2,327,864***
Reserves (accumulated losses) Cajamar Caja Rural	***188,071***	***180,158***
Mandatory Reserve Fund	*63,861*	*61,789*
Revaluation Reserves	*62,230*	*62,230*
- Voluntary Reserve Fund	*37,519*	*32,547*
Other reserves	*24,086*	*24,085*
Actuarial gains or losses on defined benefit pension plans	*376*	*(493)*
Less: Treasury shares	***(6)***	***(6)***
Equity of the rest of the group cooperative companies subject to solvency commitment	**237,387**	**228,551**
Share capital contributions to rest of the Group's cooperative companies	***44,710***	***37,920***
Reserves (accumulated losses) for the rest of the cooperative companies	***192,705***	***190,665***
Mandatory Reserve Fund	*182,989*	*181,205*
Revaluation Reserves	*6,364*	*6,364*
- Voluntary Reserve Fund	*3,449*	*3,263*
Other reserves	*81*	*81*
Actuarial gains or losses on defined benefit pension plans	*(178)*	*(248)*
Less: Treasury shares	***(28)***	***(28)***
Generated during the consolidation process	**(46,112)**	**(31,954)**
Reserves in companies measured under the equity method:	**21,018**	**14,676**
Other equity instruments	**-**	**-**
Other equity instruments	-	-
Parent company shares	**(977,350**	**(984,349)**
Results for the year attributable to the parent entity	**76,137**	**70,272**
Remuneration (-)	**(34,444)**	**(37,801)**
Remuneration on the share capital in Cajamar Caja Rural	*(34,158)*	*(37,525)*
Remuneration on the share capital in the rest of the Group's rural savings banks	*(286)*	*(276)*
Interim dividends	**(646)**	**-**
Items that may be reclassified to profit or loss	**24,108**	**8,232**
Minority shareholders	**544**	**541**
Total equity	**2,954,184**	**2,797,842**

Own funds reconciliation on the accompanying consolidated balance sheets with own funds breakdown at 31 December 2016 and 2015, are as follows:

	Thousand euro 2016		
Equity and accumulated other comprehensive income:	**2,953,639**	**2,953,640**	**Disclosures:**
Share capital	**1,048,978**	**1,048,978**	**Capital of parent entity**
Authorized	*1,048,978*	*1,048,978*	*Parent entity's share capital*
Less: Uncalled capital	-	-	*Uncalled capital*
Share premium account	-	-	**Share premium account**
Equity instruments issued, other than capital	**2,463,916**	**2,463,916**	**Total equity instruments**
		2,419,240	*Contributions to the share capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
		(6)	*Less: Treasury shares Cajamar Caja Rural (Equity subject to solvency commitments)*
		44,710	*Contributions to the share capital of the rest of the Group's cooperative companies (Equity subject to solvency commitments)*
		(28)	*Less: Treasury shares in the rest of the Group's cooperative companies (Equity subject to solvency commitments)*
Other equity items	-	-	**Other equity items**
Accumulated other comprehensive income	**20,727**	**20,727**	**Total overall other profit for 2008**
Actuarial gains or (–) losses on defined benefit pension plans	*(3,381)*	*(3,381)*	*Actuarial gains or (-) losses on defined benefit pension plans*
		(3,579)	*Actuarial gains or (-) losses on defined benefit pension plans*
		376	*Actuarial gains or (-) losses on defined benefit pension plans*
		(178)	*Actuarial gains or (–) losses on defined benefit pension plans for the rest of the Group's cooperative companies*
Items that may be reclassified to profit or loss	*24,108*	*24,108*	*Impairment of non-current assets held for sale*
Retained earnings	**266,709**	**266,709**	**Total Other Accumulated Gains (Reserves)**
		836	*Parent entity reserves*
		125,465	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		186,519	*Mandatory, voluntary and other reserves at the rest of the cooperative companies (Equity subject to solvency commitments)*
		(46,112)	*Generated during the consolidation process*
Revaluation reserves	**68,593**	**68,593**	**Total Revaluation Reserves**
		62,230	*Restatement reserves at Cajamar Caja Rural*
		6,363	*Restatement reserves at the rest of the Group's cooperative companies*
Other reserves	**21,018**	**21,018**	**Total other reserves**
Reserves or accumulated losses on investments in joint ventures and associates	*21,018*	*21,018*	*Reserves in companies measured using the equity method*
Other	-	-	*Other reserves*
(–) Treasury shares	**(977,349)**	**(977,349)**	**Shares in the parent entity (-) (Shares in the parent company held by the Group)**
Profit attributable to parent company shareholders	**76,137**	**76,137**	**Results for the year attributable to the parent entity**
(–) Interim dividends	**(35,090)**	**(35,090)**	**Total interim dividends**
		(34,158)	*Remuneration on the share capital in Cajamar Caja Rural*
		(286)	*Remuneration on the share capital in the rest of the Group's rural savings banks*
		(9,931)	*Interim dividends for the parent entity*
		9,285	*Dividends paid to Group entities*

	Thousand euro 2015		
Equity and accumulated other comprehensive income:	**2,797,301**	**2,797,301**	**Disclosures:**
Share capital	**1,045,398**	**1,045,398**	**Capital of parent entity**
Authorized	*1,045,398*	*1,045,398*	*Parent entity's share capital*
Less: Uncalled capital	-	-	*Uncalled capital*
Share premium account	**6,999**	**6,999**	**Share premium account**
Equity instruments issued, other than capital	**2,365,749**	**2,365,749**	**Total equity instruments**
		2,327,864	*Contributions to the share capital of Cajamar Caja Rural (Equity subject to solvency commitments)*
		(6)	*Less: Treasury shares Cajamar Caja Rural (Equity subject to solvency commitments)*
		37,920	*Contributions to the share capital of the rest of the Group's cooperative companies (Equity subject to solvency commitments)*
		(28)	*Less: Treasury shares in the rest of the Group's cooperative companies (Equity subject to solvency commitments)*
Other equity items	-	-	**Other equity items**
Accumulated other comprehensive income	**4,265**	**4,265**	**Total overall other profit for 2008**
Actuarial gains or (–) losses on defined benefit pension plans	*(3,967)*	*(3,967)*	*Actuarial gains or (-) losses on defined benefit pension plans*
		(3,225)	*Actuarial gains or (-) losses on defined benefit pension plans*
		(493)	*Actuarial gains or (-) losses on defined benefit pension plans*
		(248)	*Actuarial gains or (–) losses on defined benefit pension plans for the rest of the Group's cooperative companies*
Items that may be reclassified to profit or loss	*8,232*	*8,232*	*Impairment of non-current assets held for sale*
Retained earnings	**243,827**	**243,827**	**Total Other Accumulated Gains (Reserves)**
		(27,191)	*Parent entity reserves*
		118,423	*Mandatory, voluntary and other reserves at Cajamar Caja Rural (Equity subject to solvency commitments)*
		184,549	*Mandatory, voluntary and other reserves at the rest of the cooperative companies (Equity subject to solvency commitments)*
		(31,954)	*Generated during the consolidation process*
Revaluation reserves	**68,593**	**68,593**	**Total Revaluation Reserves**
		62,230	*Restatement reserves at Cajamar Caja Rural*
		6,363	*Restatement reserves at the rest of the Group's cooperative companies*
Other reserves	**14,348**	**14,348**	**Total other reserves**
Reserves or accumulated losses on investments in joint ventures and associates	*14,676*	*14,676*	*Reserves in companies measured using the equity method*
Other	*(328)*	*(328)*	*Other reserves*
(–) Treasury shares	**(984,349)**	**(984,349)**	**Shares in the parent entity (-) (Shares in the parent company held by the Group)**
Profit attributable to parent company shareholders	**70,272**	**70,272**	**Results for the year attributable to the parent entity**
(–) Interim dividends	**(37,801)**	**(37,801)**	**Total interim dividends**
		(37,525)	*Remuneration on the share capital in Cajamar Caja Rural*
		(276)	*Remuneration on the share capital in the rest of the Group's rural savings banks*
		-	*Interim dividends for the parent entity*

Movements in Group own fund during 2016 and 2015 are as follows (thousands of euros):

	Capital and reserves (Thousand euros)												
	Share capital	Share premium	Parent entity reserves	Equity of Group cooperative companies subject to solvency commitments	(Losses) Reserves in entities carried under the equity method	Generated during the consolidation process	Other equity instruments	Parent company shares	Results for the year attributable to the parent entity	(-) Remuneration	(-) Interim dividends	Items that may be reclassified to profit or loss	Total equity
Balance at 31.12.2014	**813,550**	**-**	**(239)**	**2,709,091**	**10,555**	**11,334**	**-**	**(790,900)**	**37,144**	**(57,360)**	**-**	**27,021**	**2,760,196**
Adjustments due to changes in accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**813,550**	**-**	**(239)**	**2,709,090**	**10,555**	**11,334**	**-**	**(790,900)**	**37,144**	**(57,360)**	**-**	**27,021**	**2,760,195**
Total recognised revenues and expenses	**-**	**-**	**-**	**(803)**	**-**	**-**	**-**	**-**	**70,272**	**-**	**-**	**(18,789)**	**50,680**
Increases in capital/allocation fund	231,848	-	-	(7,023)	-	-	-	-	-	-	-	-	224,826
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Shareholder compensation	-	-	-	-	-	-	-	-	-	(37,801)	-	-	(37,801)
Transactions involving treasury shares (net)	-	-	-	-	-	-	-	(193,449)	-	-	-	-	(193,449)
Transfers among equity items	-	6,999	(30,505)	35,305	3,995	(43,288)	-	-	(25,459)	57,360	-	-	4,409
Increases (decreases) for business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary appropriation to community projects and social funds	-	-	-	-	-	-	-	-	(11,684)	-	-	-	(11,684)
Payments using capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of equity increases (decreases)	-	-	-	-	126	-	-	-	-	-	-	-	126
Ending balance at 31.12.16	**1,045,398**	**6,999**	**(30,744)**	**2,736,572**	**14,676**	**(31,954)**	**-**	**(984,349)**	**70,272**	**(37,802)**	**-**	**8,232**	**2,797,301**

	Capital and reserves (Thousand euros)												
	Share capital	Share premium	Parent entity reserves	Equity of Group cooperative companies subject to solvency commitments	(Losses) Reserves in entities carried under the equity method	Generated during the consolidation process	Other equity instruments	Parent company shares	Results for the year attributable to the parent entity	(-) Remuneration	(-) Interim dividends	Items that may be reclassified to profit or loss	Total equity
Balance at 31.12.15	**1,045,398**	**6,999**	**(30,744)**	**2,736,572**	**14,676**	**(31,954)**	**-**	**(984,349)**	**70,272**	**(37,802)**	**-**	**8,232**	**2,797,301**
Adjustments due to changes in accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**1,045,398**	**6,999**	**(30,744)**	**2,736,572**	**14,676**	**(31,954)**	**-**	**(984,349)**	**70,272**	**(37,802)**	**-**	**8,232**	**2,797,301**
Total recognised revenues and expenses	**-**	**-**	**-**	**939**	**-**	**-**	**-**	**-**	**76,137**	**-**	**-**	**15,876**	**92,952**
Increases in capital/allocation fund	3,580	-	-	98,168	-	-	-	-	-	-	-	-	101,748
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Shareholder compensation	-	-	-	-	-	-	-	-	-	(34,444)	(646)	-	(35,090)
Transactions involving treasury shares (net)	-	-	-	-	-	-	-	7,000	-	-	-	-	7,000
Transfers among equity items	-	(6,999)	28,001	9,013	6,343	(14,158)	-	-	(70,272)	37,802	-	-	(10,271)
Increases (decreases) for business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary appropriation to community projects and social funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments using capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of equity increases (decreases)	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance at 31.12.16	**1,048,978**	**-**	**(2,743)**	**2,844,691**	**21,019**	**(46,112)**	**-**	**(977,349)**	**76,137**	**(34,444)**	**(646)**	**24,108**	**2,953,639**

Equity and movements in equity for 2016 and 2015 with respect to the Credit Cooperatives that make up the Group are as follows:

	Equity of Cajamar Caja Rural subject to solvency commitment (Thousand euro)								Equity of the rest of the group cooperative companies subject to solvency commitment (Thousand euro)							
	Contributions to share capital	Less: Treasury shares	Mandatory Reserve Fund	- Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Reserves (accumulated losses)	Total equity subject to colvency commitment	Contributions to share capital	Less: Treasury shares	Mandatory Reserve Fund	- Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Reserves (accumulated losses)	Total equity subject to colvency commitment
Balance at 31.12.2014	**2,339,498**	**(6)**	**52,697**	**8,066**	**64,311**	**24,454**	**149,528**	**2,489,020**	**33,308**	**(28)**	**178,181**	**2,472**	**6,363**	**(226)**	**186,790**	**220,070**
Adjustments due to changes in accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**2,339,498**	**(6)**	**52,697**	**8,066**	**64,311**	**24,454**	**149,528**	**2,489,020**	**33,308**	**(28)**	**178,181**	**2,472**	**6,363**	**(226)**	**186,790**	**220,070**
Total recognised revenues and expenses	**-**	**-**	**-**	**-**	**-**	**(862)**	**(862)**	**(862)**	**-**	**-**	**-**		**-**	**59**	**59**	**59**
Increases in capital/allocation fund	(11,634)	6	-	-	-	-	-	**(11,628)**	4,612	(6)	-	-	-	-	-	**4,606**
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Shareholder compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions involving treasury shares (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among equity items	-	-	9,092	24,481	(2,081)	-	31,492	**31,492**	-	-	3,024	791	1	-	3,815	**3,815**
Increases (decreases) for business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary appropriation to community projects and social fu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments using capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of equity increases (decreases)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance at 31.12.15	**2,327,864**	**-**	**61,789**	**32,547**	**62,230**	**23,592**	**180,158**	**2,508,021**	**37,920**	**(34)**	**181,205**	**3,263**	**6,364**	**(167)**	**190,665**	**228,550**

	Equity of Cajamar Caja Rural subject to solvency commitment (Thousand euro)								Equity of the rest of the group cooperative companies subject to solvency commitment (Thousand euro)							
	Contributions to share capital	Less: Treasury shares	Mandatory Reserve Fund	- Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Reserves (accumulated losses)	Total equity subject to colvency commitment	Contributions to share capital	Less: Treasury shares	Mandatory Reserve Fund	- Voluntary Reserve Fund	Revaluation Reserves	Other reserves (**)	Reserves (accumulated losses)	Total equity subject to colvency commitment
Balance at 31.12.15	**2,327,864**	**-**	**61,789**	**32,547**	**62,230**	**23,592**	**180,158**	**2,508,021**	**37,920**	**(34)**	**181,205**	**3,263**	**6,364**	**(167)**	**190,665**	**228,550**
Adjustments due to changes in accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**2,327,864**	**-**	**61,789**	**32,547**	**62,230**	**23,592**	**180,158**	**2,508,021**	**37,920**	**(34)**	**181,205**	**3,263**	**6,364**	**(167)**	**190,665**	**228,550**
Total recognised revenues and expenses	**-**	**-**	**-**	**-**	**-**	**869**	**869**	**869**	**-**	**-**	**-**		**-**	**70**	**70**	**70**
Increases in capital/allocation fund	91,377	(6)	-	-	-	-	-	**91,371**	6,790	6	-	-	-	-	-	**6,796**
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends/Shareholder compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions involving treasury shares (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among equity items	-	-	2,072	4,971	(0)	1	7,044	**7,044**	-	-	1,784	186	(0)	-	1,970	**1,970**
Increases (decreases) for business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary appropriation to community projects and social fu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments using capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of equity increases (decreases)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance at 31.12.16	**2,419,240**	**(6)**	**63,860**	**37,519**	**62,229**	**24,462**	**188,070**	**2,607,304**	**44,710**	**(28)**	**182,989**	**3,449**	**6,364**	**(97)**	**192,705**	**237,386**

17.1 Capital

17.1.1. Parent Entity capital/endownment fund

At 31 December 2016 the parent entity's share capital amounts to €1,048,978 thousand (€1,045,398 thousand at 31 December 2015), made up of €1,048,978 registered shares with a par value of €1 each (made up of €1,045,398 registered shares with a par value of €1 each at 31 December 2015). All shares are of the same class and series.

The Parent's share capital amounted to €800,000 thousand on the date it was incorporated. Subsequently, in April 2014, the Parent issued 13,550 thousand shares with a unit par value of €1, thereby increasing share capital by €13,550 thousand. All of these shares were subscribed for by entities that are not part of Grupo Cooperativo Cajamar.

On 20 December 2016 the parent company increased share capital by €3,580 thousand through the issue of 3,580 thousand registered shares with a par value of €1 each, fully subscribed by entities not included in Cajamar Grupo Cooperativo.

In 2015, the Group's parent entity completed two capital increases. The first was carried out on 23 February 2015 in the amount of €186,450 thousand, with a share premium of €6,999 thousand, through a cash contribution of €76,278 thousand and a non-cash contribution valued at €117,172 thousand consisting solely of equity securities. This capital increase was fully subscribed by Cajamar Caja Rural, Sociedad Cooperativa de Crédito. The second was carried out on 18 December 2015 in the amount of €45,398 thousand and was fully subscribed by not forming part of the Cooperative Group.

The shares issued by the Bank are the same class for all members of the Cooperative group and the other shareholders. The restrictions on the transfer and/or pledging of shares only apply to the members of the Grupo Cooperativo Cajamar by virtue of the Regulating Contract. The shareholders that are not members of the Cooperative Group may exercise their voting and dividend rights without any restriction.

At 31 December 2016 the parent entity's share capital breaks down as follows, by shareholder contribution:

	% of Ownership	
Shareholders that form part of Grupo CooperativoCajamar	**2016**	**2015**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	85.54%	85.83%
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.52%	1.53%
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	0.88%	0.88%
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	0.74%	0.74%
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	0.64%	0.64%
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	0.77%	0.77%
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.53%	0.53%
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	0.39%	0.39%
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.34%	0.34%
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.30%	0.30%
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.26%	0.26%
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	0.23%	0.23%
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	0.23%	0.23%
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.22%	0.22%
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	0.15%	0.15%
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	0.15%	0.15%
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.11%	0.11%
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.09%	0.09%
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.10%	0.10%
Shareholders that do not form part of Grupo CooperativoCajamar		
Caja Rural de Almendralejo, Sociedad Cooperativa de Crédito	1.43%	1.43%
Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito	0.10%	0.10%
Caja Rural de Guissona, S. Coop. de Crédito	0.01%	0.01%
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de Crédito Andaluza	0.03%	0.03%
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural Ntra. Sra. del Rosario, Sociedad Cooperativa Andaluza de Crédito	0.03%	0.03%
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.03%	0.03%
Caixa Rural La Vall San Isidro Sociedad Cooperativa de Crédito Valenciana	0.14%	0.14%
Caja Rural San José de Almassora, S.Coop de Crédito	0.10%	0.10%
Caixa Rural de Benicarló, S.Coop de Crédito	0.10%	0.10%
Caixa Rural Vinaros, S. Coop. de Crédito	0.10%	0.10%
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.05%	0.05%
Team & Work 5000, SL	2.86%	2.87%
Crédito Agrícola SGPS, SA	0.48%	0.48%
Garunter Locales, SL	0.48%	0.48%
Pepal 2002, SL	0.29%	0.29%
Acor Sociedad Cooperativa General Agropecuaria	0.19%	0.19%
Gespater, S.L.	0.29%	0.00%
Other non-controlling shareholders	0.09%	0.04%

Any credit cooperative wishing to join the Grupo Cooperativo Cajamar must acquire an interest in the share capital of Banco de Crédito Social Cooperativo, S.A.

The Group member entities may exercise their dividend and voting rights as shareholders of Banco de Crédito Social Cooperativo, S.A., in proportion to their shareholdings. When they exercise said rights, they must safeguard the Group's interests and take into consideration that their holding in the parent entity is an instrument for configuring their participation in the Group.

Member entities are required at all times to maintain full ownership of their shares in Banco de Crédito Social Cooperativo, S.A. and any preferential subscription rights they may hold, free of charges and encumbrances and with all relevant dividend and voting rights. Member entities may only transfer their shares in the parent entity to other member entities and third parties with the prior consent of the parent entity Banco de Crédito Social Cooperativo, S.A. In this event, an adjustment must be agreed and made to the corporate governance rules included in the Regulating Contract of the Grupo Cooperativo Cajamar based on the new percentage holdings in the parent company's share capital.

17.1.2. Parent entity shares

The shares held by group entities in the parent entity are recorded under Treasury shares in Equity. At 31 December 2016 they totalled €977,350 thousand (€984,349 thousand at 31 December 2015), as follows:

	Thousand euro	
	2016	**2015**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	897,299	904,298
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	15,981	15,981
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	9,242	9,242
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	7,714	7,714
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	6,681	6,681
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	8,040	8,040
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	5,556	5,556
Caja Rural San Jaime de Alquerías del Niño Perdido, Sociedad Cooperativa de Crédito	4,124	4,124
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	3,606	3,606
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	3,155	3,155
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	2,676	2,676
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	2,413	2,413
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	2,416	2,416
Caja Rural de Villar, Sociedad Cooperativa de Crédito	2,257	2,257
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	1,536	1,536
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	1,543	1,543
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	1,147	1,147
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	948	948
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	1,017	1,018
Total	**977,349**	**984,349**

17.1.3. Contributions to capital of Group Cooperative Societies

Shareholder contributions to the share capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, amount to €2,419,240 thousand at 31 December 2016 (€2,327,864 thousand at 31 December 2015) recorded under "*Equity of Group Cooperative Societies subject to a solvency commitment - Equity of Cajas Rurales Unidas subject to a solvency commitment - Contributions to the share capital of Cajamar Caja Rural".*

This member entity's minimum share capital, under Article 49 of its Bylaws, is set at €25 million, being variable in character and made up of mandatory contributions of €61. The members' contributions to the share capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito are attested to in sequentially numbered nominative certificates. The total amount that a single member can contribute to share capital cannot exceed 2.5% for individuals and 5% for companies. At the end of 2016 the largest contribution equalled 0.98% of share capital (0.19% at the end of 2015).

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

Capital incorporated by the Credit Cooperatives belonging to the Group amounts to €44,710 thousand at 31 December 2016 (€38,490 thousand at 31 December 2015) and is recorded under "*Equity of Group Cooperative Societies subject to a solvency commitment - Equity of the other Group Cooperative Societies subject to a solvency commitment - Contributions to the share capital of other Group Cooperative Societies*".

Movements in the capital of Group Credit Cooperatives for 2016 and 2015 are as follows:

2016

Group member entity	Thousand euro									
	Entity share capital	Treasury shares	Beginning balance	Number of contributions	Acquisitions	Number of contributions	Disposals	Number of contributions	Treasury shares	Ending balance
Cajamar Caja Rural, Soc, Coop, de Crédito	2,327,870	(6)	2,327,864	38,733,171	400,726	277,841	(309,355)	(230,654)	-	2,419,234
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	8,815	-	8,815	146,680	1,911	3,914	(759)	(2,379)	-	9,967
Caixa Rural Altea, Cooperativa de Credit Valenciana	2,816	-	2,816	46,861	723	1,964	(169)	(929)	-	3,371
Caja Rural San José de Burriana, Sdad, Coop, de Crédito	1,836	-	1,836	30,548	474	1,117	(118)	(595)	-	2,192
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	1,836	-	1,836	30,544	595	1,481	(196)	(727)	-	2,234
Caja Rural Católico Agraria, Sdad, Coop, de Crédito	5,252	-	5,252	87,385	1,576	2,500	(301)	(1,150)	-	6,526
Caja Rural de Callosa d'en Sarriá, Sdad, Coop, de Crédito	3,651	-	3,651	60,744	953	1,216	(149)	(635)	-	4,455
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad, Coop, de Crédito	2,100	-	2,100	34,938	406	343	(148)	(186)	-	2,358
Caja Rural de Cheste, Sdad, Coop, de Crédito	1,088	-	1,088	18,100	319	639	(34)	(203)	-	1,373
Caja Rural San José de Nules, Sdad, Coop, de Crédito	3,083	-	3,083	51,296	356	847	(216)	(488)	-	3,223
Caja Rural de Alginet, Sdad, Coop, de Crédito	1,352	(28)	1,324	22,024	438	697	(77)	(291)	-	1,685
Caixa Rural de Turís, Cooperativa de Crédito Valenciana,	444	-	444	7,385	190	203	(9)	(57)	-	624
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	1,689	-	1,689	28,108	472	756	(103)	(397)	-	2,058
Caja Rural de Villar, Sdad, Coop, de Crédito	734	-	734	12,214	267	377	(51)	(136)	-	950
Caja Rural San José de Vilavella, Sdad, Coop, de Crédito	709	-	709	11,798	85	215	(18)	(83)	-	777
Caja Rural Albalat dels Sorells, Sdad, Coop, de Crédito	1,207	-	1,207	20,078	191	234	(122)	(212)	-	1,276
Caja Rural San Roque de Almenara, Sdad, Coop, de Crédito	470	-	470	7,827	171	351	(21)	(127)	-	620
Caja Rural San Isidro de Vilafamés, Sdad, Coop, de Crédito	416	-	416	6,923	28	75	(12)	(50)	-	432
Caja Rural La Junquera de Chilches, Sdad, Coop, de Crédito	416	-	416	6,926	154	204	(8)	(88)	-	562
Total	**2,365,783**	**(34)**	**2,365,749**	**39,363,550**	**410,035**	**294,974**	**(311,867)**	**(239,387)**	**-**	**2,463,916**

2015

Group member entity	Thousand euro									
	Entity share capital	Treasury shares	Beginning balance	Number of contributions	Acquisitions	Number of contributions	Disposals	Number of contributions	Treasury shares	Ending balance
Cajamar Caja Rural, Soc, Coop, de Crédito	2,339,498	(6)	2,339,492	38,926,654	327,801	5,373,785	(339,429)	5,564,414	-	2,327,864
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	8,007	-	8,007	133,231	1,445	24,047	(637)	10,600	-	8,815
Caixa Rural Altea, Cooperativa de Credit Valenciana	2,291	-	2,291	38,117	668	11,110	(142)	2,366	-	2,816
Caja Rural San José de Burriana, Sdad, Coop, de Crédito	1,774	-	1,774	29,517	215	3,585	(153)	2,554	-	1,836
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	1,512	-	1,512	25,161	397	6,599	(73)	1,216	-	1,836
Caja Rural Católico Agraria, Sdad, Coop, de Crédito	4,508	-	4,508	75,016	1,342	22,328	(599)	9,959	-	5,252
Caja Rural de Callosa d'en Sarriá, Sdad, Coop, de Crédito	3,319	-	3,319	55,228	546	9,090	(215)	3,574	-	3,651
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad, Coop, de Crédito	1,900	-	1,900	31,617	455	7,565	(255)	4,244	-	2,100
Caja Rural de Cheste, Sdad, Coop, de Crédito	848	-	848	14,113	271	4,508	(31)	521	-	1,088
Caja Rural San José de Nules, Sdad, Coop, de Crédito	2,626	-	2,626	43,693	621	10,338	(164)	2,735	-	3,083
Caja Rural de Alginet, Sdad, Coop, de Crédito	1,131	(28)	1,103	18,351	302	5,025	(81)	1,352	-	1,324
Caixa Rural de Turís, Cooperativa de Crédito Valenciana,	412	-	412	6,856	43	712	(11)	183	-	444
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	1,423	-	1,423	23,680	396	6,583	(130)	2,155	-	1,689
Caja Rural de Villar, Sdad, Coop, de Crédito	575	-	575	9,565	177	2,945	(18)	296	-	734
Caja Rural San José de Vilavella, Sdad, Coop, de Crédito	661	-	661	10,994	71	1,178	(22)	374	-	709
Caja Rural Albalat dels Sorells, Sdad, Coop, de Crédito	1,169	-	1,169	19,451	75	1,254	(38)	627	-	1,207
Caja Rural San Roque de Almenara, Sdad, Coop, de Crédito	395	-	395	6,573	94	1,570	(19)	316	-	470
Caja Rural San Isidro de Vilafamés, Sdad, Coop, de Crédito	399	-	399	6,632	31	440	(13)	190	-	416
Caja Rural La Junquera de Chilches, Sdad, Coop, de Crédito	358	-	358	5,964	68	1,118	(10)	168	-	416
Total	**2,372,807**	**(34)**	**2,372,773**	**39,480,412**	**335,018**	**5,493,780**	**(342,041)**	**5,607,844**	**-**	**2,365,749**

At 31 December 2016 the Board of Directors of Grupo Cooperativo Cajamar has classified €2,463,916 thousand (€2,365,750thousand at 31 December 2015) relating to the various capital amounts of the member entities of the Cooperative Group, except for the parent entity, as Group equity under the heading "Other equity instruments".

At 31 December 2016 and 2015 the share capital of all the Group Credit Cooperatives, in accordance with their respective bylaws, is classified in full under equity in their financial statements.

17.1.4. Share premium

In 2015, the parent entity increased capital by €186,450 thousand with a share premium of €6,999 thousand, through a cash contribution of €76,278 thousand and a non-cash contribution of €117,172 thousand consisting solely of equity securities.

At 31 December 2016 the Group does not record any balance in this heading in the accompanying consolidated balance sheet due to the fact that the share premium was applied to the distribution of results together with 2015 retained earnings (Note 5).

17.1.5. Earnings per share

In accordance with IAS 33, set out below are the basic and diluted earnings per share of the parent entity and at 31 December 2015 and at 31 December 2015.

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Group by the weighted average number of outstanding shares for the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to the Group by the weighted average number of outstanding shares for the year adjusted for the dilution effect, this being the existence of convertible debt instruments and stock options. At 31 December 2016 and at 31 December 2015 the Group has not issued any instruments with a potential dilutive effect.

	Thousand euro	
	2016	**2015**
Result attributed to the Parent Entity	76,141	70,272
Weighted average number of diluted shares	1,048,978	1,045,395
Basic earnings per share	**0,07**	**0,07**

	Thousand euro	
	2016	**2015**
Result attributed to the Parent Entity	76,141	70,272
Corrections to results in issues of convertibles/options	-	-
Adjusted profit	**76,141**	**70,272**
Weighted average number of diluted shares	1,048,978	1,045,395
Corrections to weighted number of shares on issues of convertibles or options	-	-
Weighted average number of diluted shares	**1,048,978**	**1,045,395**
Diluted earnings per share	**0,07**	**0,07**

17.1.6. Parent Entity dividend and remuneration

The parent entity may only pay dividends against profits for the year or its unrestricted reserves if the relevant legal or bylaw conditions have been met and equity is not less than share capital or does not fall below share capital due to the dividend payment, in accordance with Spanish Central Bank Circular 4/2004 and subsequent amendments. If there are prior-year losses that cause the Company's equity to be lower than the share capital figure, profits must be used to offset those losses.

At the end of 2016, the parent entity, in accordance with legal requirements, has sufficient resources to distribute dividends.

The breakdown of the dividends paid on account at 31 December 2016 and 2015 is as follows:

	Thousand euro							
	2016				2015			
	% of par value	Number of shares	Euro per share	Amount	% of par value	Number of shares	Euro per share	Amount
Ordinary shares:								
Cajamar Caja Rural, Soc,	85.83%	897,299	0.0095	8,524.34	-	-	-	-
Caixa Rural de Torrent, C,C,V,	1.53%	15,981	0.0095	151.82	-	-	-	-
Caixa Rural de Altea, C,C,V,	0.88%	9,242	0.0095	87.80	-	-	-	-
Caja Rural San José de Burriana, S,C,C,	0.74%	7,714	0.0095	73.28	-	-	-	-
Caja de Crédito de Petrel, Caja Rural, C,C,V,	0.64%	6,681	0.0095	63.47	-	-	-	-
Caja Rural Católico Agraria, S,C,C,	0.77%	8,040	0.0095	76.38	-	-	-	-
Caja Rural de Callosa d'en Sarriá, S,C,C,	0.53%	5,556	0.0095	52.78	-	-	-	-
Caja Rural San Jaime de Alquerías del Niño Perdido, S,C,C,	0.39%	4,124	0.0095	39.18	-	-	-	-
Caja Rural de Cheste, S,C,C,	0.34%	3,606	0.0095	34.25	-	-	-	-
Caja Rural San José de Nules, S,C,C,	0.30%	3,155	0.0095	29.97	-	-	-	-
Caja Rural de Alginet, S,C,C,	0.26%	2,676	0.0095	25.42	-	-	-	-
Caixa Rural de Turís, C,C,V,	0.23%	2,413	0.0095	22.93	-	-	-	-
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, C,C,V,	0.23%	2,416	0.0095	22.95	-	-	-	-
Caja Rural de Villar, S,C,C,	0.22%	2,257	0.0095	21.44	-	-	-	-
Caja Rural San José de Vilavella, S,C,C,	0.15%	1,536	0.0095	14.60	-	-	-	-
Caja Rural Albalat dels Sorells, S,C,C,	0.15%	1,543	0.0095	14.66	-	-	-	-
Caja Rural San Roque de Almenara, S,C,C,	0.11%	1,147	0.0095	10.89	-	-	-	-
Caja Rural San Isidro de Vilafamés, S,C,C,	0.09%	948	0.0095	9.00	-	-	-	-
Caja Rural La Junquera de Chilches, S,C,C,	0.10%	1,018	0.0095	9.67	-	-	-	-
Caja Rural de Almendralejo, S,C,C,	1.43%	15,000	0.0095	142.50	-	-	-	-
Caja Rural de Castilla-La Mancha, S,C,C,	0.10%	1,000	0.0095	9.50	-	-	-	-
Caixa Rural La Vall San Isidro, C,C,V,	0.14%	1,500	0.0095	14.25	-	-	-	-
Caja Rural San José de Almassora, S,C,C,	0.10%	1,000	0.0095	9.50	-	-	-	-
Caixa Rural de Benicarló, S,C,C,	0.10%	1,000	0.0095	9.50	-	-	-	-
Caixa Rural Vinaros, S,C,C,	0.10%	1,000	0.0095	9.50	-	-	-	-
Caixa Rural Les Coves de Vinroma, S,C,C,	0.05%	500	0.0095	4.75	-	-	-	-
Caja Rural de Baena Ntra, Señora de Guadalupe, S,C,C,A,	0.03%	300	0.0095	2.85	-	-	-	-
Caja Rural de Utrera, S,C,C,A,	0.03%	300	0.0095	2.85	-	-	-	-
Caja Rural Cañete de las Torres Ntra, Sra, del Campo, S,C,C,A,	0.03%	300	0.0095	2.85	-	-	-	-
Caja Rural Ntra, Sra, del Rosario, S,C,C,A,	0.03%	300	0.0095	2.85	-	-	-	-
Caja Rural Ntra, Madre del Sol, S,C,C,A,	0.03%	300	0.0095	2.85	-	-	-	-
Caja Rural de Guissona, S,C,C,	0.01%	150	0.0095	1.43	-	-	-	-
Team & Work 5000, S,L, (TREA Group)	2.87%	30,000	0.0095	285.00	-	-	-	-
Crédito Agrícola, S,G,P,S,, S,A,	0.48%	5,000	0.0095	47.50	-	-	-	-
Garunter Locales, S,L,	0.48%	5,000	0.0095	47.50	-	-	-	-
Pepal, S,L,	0.29%	3,000	0.0095	28.50	-	-	-	-
Acor Sociedad Cooperativa General Agropecuaria	0.19%	2,000	0.0095	19.00	-	-	-	-
Other non-controlling shareholders	0.04%	398	0.0095	3.78	-	-	-	-
Total dividends paid	**100.00%**	**1,045,398**	**0.0095**	**9,931.28**	**-**	**-**	**-**	**-**
Dividends charged to profit/(loss)	-	-	-	9,931.28	-	-	-	-
b) Dividends charged against reserves or share premium	-	-	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-	-	-

17.1.7. <u>Remuneration on contributions capital of Group credit cooperatives</u>

The Group's Credit Cooperatives are empowered to determine the remuneration arrangement for the contributions to their own share capital in the parent entity Banco de Crédito Social Cooperativo, S.A., which establishes the maximum interest rate for those capital contributions, Complying with this maximum, the Entities are free to establish the rate of compensation that they consider best.

For cases where one or more Group entities do not make a positive contribution to the overall gross profit, the parent entity may agree a lower yield on share capital than that set as a maximum for the Group in general.

With respect to the shareholders of Group credit cooperatives, at 31 December 2016, the interest payment of the capital contributions amounted to €34,444 thousand, recognised in full against equity (€37,801 thousand at 31 December 2015).

In addition, member entities have delegated to Banco de Crédito Social Cooperativo, S.A. the power to determine the distribution or application of profits, which will lay down the criteria for distribution within the legal and Bylaw limits.The Governing Bodies of the member entities put forward their proposals for the distribution of profits in compliance with the criteria in place, Before submitting the proposals to their general assemblies, they must obtain approval from the parent entity.

17.2. Reserves

Details of the "Reserves" caption under "Equity" on the accompanying consolidated balance sheets at 31 December 2016 and 2015 are as follows:

	Thousand euro	
	2016	2015
Accumulated other comprehensive income		
Actuarial gains or losses on defined benefit pension plans	(3,381)	(3,967)
Items that may be reclassified to profit or loss	24,108	8,232
	20,727	**4,265**
Retained earnings		
Mandatory Reserve Fund	246,850	242,994
Distributable reserves	41,049	8,701
Legal reserves parent entity	836	-
Reserve for investments in the Canary Islands	24,086	24,086
Consolidation reserves	(46,112)	(31,954)
	266,709	**243,827**
Revaluation reserves		
Revaluation reserve Royal Decree-Law 7/1996	3,779	3,779
Revaluation reserves generated by IFRS and Bank of Spain Circular 4/2004	64,814	64,814
	68,593	**68,593**
Other reserves		
Reserves or accumulated losses on investments in joint ventures and associates		
Associates	*21,018*	*14,676*
Jointly controlled entities	-	-
Other reserves	-	(328)
	21,018	**14,348**
Total reserves and ther capital and reserves	**377,047**	**331,034**

17.2.1. Parent Entity reserves

a) Non-distributable legal reserve

The legal reserve is recorded in accordance with Article 274 of the Spanish Companies Act 2010. Under Article 274 of the Spanish Companies Act 2010, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. Until the legal reserve exceeds the limit indicated, it may be used to offset losses in the event that no other sufficient reserves are available.

At 31 December 2016 the parent entity did not record any balance under this account on the accompanying consolidated balance sheet.

b) Unrestricted reserves

Unrestricted reserves at 31 December 2016 and 2015 break down as follows:

	Thousand euro	
	2016	**2015**
Unrestricted reserves:		
Statutory reserves	-	(328)
Other reserves	-	(27,191)
Adjustments to actuarial gains and losses pension plans	(3,579)	(3,225)
Total accumulated reserves	**(3,579)**	**(30,744)**

In 2016, the parent entity recognises in the equity account “Statutory reserves” a negative amount of €89 thousand relating entirely to formation expenses.

17.2.2. <u>Reserves in Group Credit Cooperatives</u>

Reserves in the Group Credit Cooperatives at 31 December 2016 and 2015 break down as follows:

	Thousand euro									
	Mandatory		Voluntary		Restatement		Other (*)		**Total reserves**	
Group member entity	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito	63,861	61,789	37,519	32,547	62,230	62,230	24,462	23,593	**188,071**	**180,159**
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	36,443	36,046	911	792	-	-	(61)	(78)	**37,293**	**36,760**
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	23,750	23,551	114	114	-	-	(28)	(41)	**23,836**	**23,623**
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	18,323	18,127	35	-	1,762	1,762	34	26	**20,155**	**19,915**
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	17,323	17,193	-	-	-	-	(52)	(54)	**17,271**	**17,140**
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	15,361	15,180	157	157	2,611	2,611	(7)	(19)	**18,122**	**17,929**
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	10,493	10,366	1,898	1,885	-	-	5	2	**12,396**	**12,254**
Caja Rural San Jaime de Alquerías del Niño Perdido, Sdad Coop de Crédito	9,794	9,716	-	-	-	-	10	8	**9,805**	**9,724**
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	9,259	9,190	-	-	-	-	(7)	(7)	**9,252**	**9,183**
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	6,107	6,035	80	80	-	-	5	1	**6,193**	**6,117**
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	6,414	6,354	-	-	-	-	(14)	(17)	**6,400**	**6,337**
Caixa Rural de Turís, Cooperativa de Crédito Valenciana	6,413	6,352	14	14	-	-	(27)	(27)	**6,401**	**6,340**
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	4,814	4,756	82	82	449	449	(14)	(15)	**5,332**	**5,272**
Caja Rural de Villar, Sociedad Cooperativa de Crédito	5,145	5,097	-	-	615	615	(3)	(5)	**5,757**	**5,707**
Caja Rural San José de Vilavella, Sociedad Cooperativa de Crédito	3,584	3,556	-	-	-	-	75	75	**3,660**	**3,631**
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	2,591	2,557	92	79	557	557	(18)	(23)	**3,223**	**3,170**
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	2,418	2,401	44	44	368	368	(4)	(5)	**2,826**	**2,808**
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	2,277	2,263	-	-	-	-	(2)	(2)	**2,274**	**2,261**
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	2,478	2,465	20	15	-	-	11	12	**2,509**	**2,492**
Total reserves	**246,850**	**242,994**	**40,967**	**35,810**	**68,593**	**68,593**	**24,366**	**23,426**	**380,776**	**370,823**

(*)Including pension plan actuarial gains and losses to be recognised in equity,

a) Mandatory reserve fund

The Mandatory Reserve Fund has the objective of consolidating and guaranteeing the Group. In accordance with Law 13/1989 on Credit Cooperatives amended by Law 27/99 (16 July) the allocation to the reserve represents at least 20% of the net surplus.

The Group credit cooperatives' by-laws stipulate that the Mandatory Reserve Fund will receive 20% of the surplus obtained each year (Note 1.4).

b) Restatement reserves Royal Decree-Law 7/1996, (7 June)

The balance of this heading showed no movement during 2016 and 2015 and it relates exclusively to the account "Revaluation Reserve Royal Decree-Law 7/1996", which derives from the restatement of some tangible assets in 1996 by the target company Caja Rural de Málaga, Sociedad Cooperativa de Crédito (Note 1.1). No amount was transferred during the years 2016 and 2015 to voluntary reserves.

As from the date on which the balance of the account "Revaluation reserve Royal Decree-Law 7/1996" has been examined and agreed by the tax authorities or after the three year period for its inspection has elapsed, it may be used to offset losses arising in the current year or previous or future years or to increase the Company's share capital without accruing tax. This balance may be taken to freely distributable reserves provided that the monetary capital gain has been realised. The surplus will be deemed to have been realised in respect of the portion relating to the depreciation that has been taken for accounting purposes or when the revalued assets have been transferred or written off the accounting records. If the balance of this account is applied in any manner not permitted by Royal Decree-Law 7/1996, the balance becomes subject to taxation.

In the opinion of the Group's Board of Directors, once the established period has elapsed, the entire balance of this reserve will be taken to the Voluntary Reserve.

This reserve may be used to increase share capital, in which case it will not accrue taxes.

c) The revaluation reserves generated by the new legislation

The balance of this account relates to the reserve generated for the restatement of property, plant and equipment carried out in accordance with the provisions of IFRS 1, and Transitional Provision One, section B, of Spanish Central Bank Circular 4/2004, and subsequent amendments, according to which at 1 January 2004 any item included under property, plant and equipment may be stated at fair value, subject to some conditions.

In 2015 €2,081 thousand were transferred to voluntary reserves, no amount has been transferred in 2016.

d) Canary Island investment reserve

Under Law 19/1994, of July 6, corporations and other legal entities subject to corporate income tax are entitled to a reduction in the tax base, subject to a limit of 90% of undistributed profits, of the amount of their profits that they allocate to the creation of a Reserve for Investments in the Canary Islands. The amounts allocated to this reserve must be invested within a maximum period of four years from the date of accrual of the tax for the year in which it was created. The reserve must be invested in certain assets defined in the relevant legislation. The assets in which the reserve is invested must be held by the entity for a period of five years or over their useful lives, if less. The reserve for investments in the Canary Islands is unavailable until the end of the permanence period required to materialize the reserve.

The Group did not record any balance pending materialization at 31 December 2016 (€17,500 at 31 December 2015), and the entire balance relates to unrestricted reserves. In 2016 and 2015 no advance investments were made for future allocations to the Canary Island Investment Reserve.

17.2.3. Reserves in entities measured using the equity method

Details regarding the contribution of reserves from entities accounted for by the equity method at 31 December 2016 and 2015 is as follows:

	Thousand euro	
	2016	**2015**
Cajamar Vida, S.A. de Seguros y Reaseguros	31,179	26,508
Balsa Insa, S,L,	(4,753)	(4,753)
Tino Stone Group, S.A.	(3,385)	(3,385)
Parque Innovación y Tecnología de Almería, S.A.	(2,276)	(2,176)
Cultipeix, S,L,	(1,994)	(1,994)
Seguros Generales, S.A. de Seguros y Reaseguros	1,697	606
Apartamentos Media Luna, S.A.	1,143	639
Other associates	(592)	(769)
Total	**21,018**	**14,676**

18. Solvency

Current legislation (Note 1.4) stipulates that credit institutions must maintain minimum capital and reserve levels that cannot be less than those obtained as a result of applying the method established in the legislation. Compliance with the equity ratio takes place on the consolidated level, notwithstanding the fact that all of the credit institutions participating in the Cooperative Group meet the requirements established by Regulation (UE) 575/2013 on prudential requirements for credit institutions.

Eligible equity and capital requirements of the Cooperative Group at 31 December 2016 and the 2015 break down as follows:

	Thousand euro	
	2016	**2015**
A, Computable equity	**2,990,237**	**2,522,324**
CET 1 Capital	**2,620,669**	**2,472,591**
Computable instruments CET 1:	2,944,255	2,789,785
Share capital	*2,535,546*	*2,433,798*
Reserves from results	*408,709*	*355,987*
Deductions	(323,586)	(317,194)
TIER 2 Capital	**369,568**	**49,733**
Pillar I solvency requirements	**1,845,598**	**1,746,445**
Credit risk	1,725,232	1,618,122
Operating risk	114,534	121,507
CVA	4,793	5,056
Securitisation	1,038	1,760
Solvency ratio	**12.96%**	**11.55%**
CET Coefficient	**11.36%**	**11.33%**

Excess Equity for 2016 and 2015 are presented below:

	Thousand euro	
	2016	2015
Excess CET1 (4.5%)	1,582,521	1,490,217
Excess Tier I (6%)	1,236,471	1,162,758
Excess total capital (8%)	1,144,639	775,880

On 20 November 2015, pursuant to Article 16 of Regulation (EU) No. 1024/2013, the European Central Bank's Governing Council notified Banco de Crédito Social Cooperativo, S.A. of its decision regarding prudential capital requirements for Cajamar Grupo Cooperativo, based on the supervisory review and evaluation process led by the European Central Bank. This body requires the Grupo Cooperativo Cajamar to maintain, on a consolidated basis, an ordinary tier-1 capital ratio of 10.25%, a requirement that includes the minimum tier-1 capital ratio required by Pillar I (4.5%), the Pillar II requirements and the capital conservation buffer (5.75%).

At 31 December 2016, the CET1 ratio stood at 11.36%, 1.60% Tier 2 and total capital of 12.96%, exceeding the overall requirement of €625 million. At year-end 2016, CET1 ratio (fully loaded) stood at 10.99% and the common equity ratio (fully loaded) stood at 12.59%. This capital ratio has been achieved by means of a business model exposed primarily to the agri-food sector and the retail SME segment, having integrated 19 rural savings banks and Banco de Crédito Social Cooperativo, incorporated in 2014, within the current Institutional Protection Scheme (ISP), and having already merged 20 rural savings banks, all of which in the midst of the financial crisis in Spain, without receiving any public aid.

Based on the results of the Supervisory Review and Evaluation Process (SREP), in a statement dated 23 September 2016, the European Central Bank requires Grupo Cooperativo Cajamar to present a CET 1 ratio of 8.25% in 2017. That ratio comprises a regulatory capital requirement (Pillar 1) of 4.5%, a Pillar 2 requirement of 2.5% and a capital buffer of 1.25%. The common equity ratio required in 2017, meanwhile, is 11.75%. The Group is already compliant with the above requirements as at 1 January 2017: factoring in the phase-in adjustments for 2017, the Group presents an estimated CET1 ratio of 11.36% and a common equity ratio of 12.84%.

The trend in capital ratios, as is always the case, depends on matters such as delivery of the Group's business plan, new regulations regarding capital requirements, the impact of new accounting requirements, particularly in respect of asset impairment provisions, and the outcome of potential lawsuits and the estimated provisions, particularly in relation to mortgage floors.

The directors believe that the Group, on the basis of its business plan and specific capital measures, has the mechanisms for generating capital in addition to the capital growth expected to derive from earnings growth and contributions by new investees, essentially the issuance of subordinated debt in the capital markets and the ability to further reduce risk-weighted assets by reducing non-performing assets, as contemplated in the “Non-performing asset reduction plan” dated 29 February 2016 and updated in February 2017, such that it will meet the European Central Bank's requirements.

The Group complied with all the minimum capital requirements specifically contemplated by the regulators and in prevailing legislation at 31 December 2016 and 31 December 2015.

The table below reconciles the Group's consolidated equity and its capital for capital adequacy purposes at 31 December 2016 and 31 December 2015:

	Thousand euro	
	2016	**2015**
Capital and reserves	**2,932,912**	**2,793,036**
Share capital	1,048,978	1,045,398
Share premium	-	6,999
Retained earnings, revaluation reserves and other reserves	356,320	326,768
Other equity instruments	2,463,916	2,365,749
(-) Treasury shares	(977,349)	(984,349)
Results for the year attributable to the parent entity	76,137	70,272
Dividends and remuneration	(35,090)	(37,801)
Accumulated other comprehensive income	**20,727**	**4,265**
Minority shareholders	**544**	**541**
Total equity	**2,954,184**	**2,797,842**
(+) Admissible gross provisions	269,568	49,733
Non-controlling interests	(544)	(541)
(-) Adjustments to actuarial gains and losses recognsed under reserves	3,381	3,967
(-) Adjustments to admissible results: Mandatory appropriation to the Education and Promotion Fund	(1,094)	(3,521)
Adjustments due to the measurement of Available-for-sale financial assets	(11,672)	(7,962)
(-) Exposures weighted at 1,250% with respect to securitisation funds	(38,263)	(46,009)
Goodwill	(98,501)	(109,515)
(-) Defined benefit pension fund assets	(185)	(105)
(-) Intangible assets net of associated tax liabilities	(118,300)	(138,036)
(+) Computable subordinated debt	100,000	-
(-) Deferred tax assets (DTAs)	(68,337)	(23,529)
Total adjustments	**36,053**	**(275,518)**
Total equity for solvency purposes	**2,990,237**	**2,522,324**

The Group presented a leverage ratio (fully loaded) of 6.32% at 31 December 2016 (year-end 2015: 5.62%).

19. Measurement adjustments to equity

The balance of this heading relates to the account "Available-for-sale financial assets" in the accompanying consolidated balance sheets and records the net amount of changes in the fair value of the assets classified as available for sale that, in accordance with Note 3.1, must be included as part of the Group's equity (Note 7.5.3.and 17.2.3).

The movement during the years 2016 and 2015 is as follows:

	Thousand euro	
	2016	**2015**
Beginning balance	**8,233**	**27,021**
Net changes in fair value of debt securities	106,888	(10,153)
Net changes in fair value of equity instruments	7,837	36,031
Sale of available-for-sale financial assets - debt securities	(90,708)	(10,817)
Sale of available-for-sale financial assets - equity instruments	(8,811)	(33,289)
Total adjustments to Entities measured using the equity method	668	(560)
Ending balance	**24,108**	**8,233**

Changes in the fair value of debt securities relate to the recognition of fair value, net of the tax effect, of fixed-income securities and the changes in the fair value of equity instruments relates to restatements, net of the tax effect, of equity instruments measured at fair value.

The breakdown of valuation adjustments by Group Company at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro	
	2016	**2015**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito,	4,794	(5,954)
Banco de Crédito Social Cooperativo, S,A	9,576	10,101
Cajamar Vida, S.A. de Seguros y Reaseguros	3,641	3,117
Cimenta2 Gestión e Inversiones, S.A.U	5,007	-
Cajamar Seguros Generales, S.A.	735	593
Caja de Crédito de Petrel,Caja Rural, C,C,V,	46	32
Caixa Rural de Turís, C,C,V,	12	16
Caja Rural de Alginet, S,C,C,V,	(20)	(7)
Caja Rural San Roque de Almenara, S,C,C,V,	14	13
Caja Rural San Jaime de Alquerias Niño Perdido, C,C,V,	-	(5)
Caja Rural San Jose de Burriana, C,C,V,	249	230
Caja Rural la Junquera de Chilches, C,C,V,	-	(96)
Caja Rural de Torrent, S,C,C,	(98)	(45)
Caixa Rural Sant Josep de Vilavella, S,C,C,V,	(79)	(80)
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S,C,C,V,	71	91
Caixa Rural Vila-Real, S,C,C,	161	226
Total	**24,108**	**8,232**

20. Minority interests

Details of this caption on the accompanying consolidated balance sheets at 31 December 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Parque industrial Acceso Sur, S,L,	544	541
Total	**544**	**541**

21. Contingent risks and commitments

21.1 Contingent risk

The breakdown of contingent risks at the end of 2016 and 2015, the nominal values of which are recorded in memorandum accounts, is set out below:

	Thousand euro	
	2016	**2015**
Financial guarantees granted	**233,601**	**238,378**
Financial guarantees	*233,601*	*238,378*
Other financial guarantees	-	-
Other contingent risks granted	**382,569**	**395,009**
Irrevocable documentary credits:		
Issued	*18,469*	*20,019*
Confirmed	-	-
Other guarantees and surety provided	*364,100*	*374,991*
Total	**616,170**	**633,388**

A significant part of these amounts will mature without any payment obligation arising for the Group and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted to third parties by the Group.

The revenues obtained from guarantee instruments are recorded under the heading “Commissions received in the consolidated income statement and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee. The commissions yet to accrue in 2016 and 2015 totalled €42,100 and €41,720 thousand, respectively.

The present value of future flows yet to be received for these contracts is €40,920 thousand in 2016 and €40,488 thousand in 2015.

The hedge for future payments associated with the financial items in the account "provisions for contingent risks and liabilities" on the liability side of the balance sheet totals as of 31 December 2016 and 2015 totalled €35,468 and €22,206 thousand, respectively (Note 13.2).

21.2 Contingent commitments

This item records the irrevocable commitments to provide financing in accordance with certain preestablished conditions and deadlines. All credit commitments held by the Cooperative Group are immediately available.

The details of the “Lines drawable by third parties” (Note 6.2.d) and “Other contingent commitments” for 2016 and 2015 grouped by counterparty and indicating the limit and amount pending liquidity are as follows:

	Thousand euro	
	2016	**2015**
Loan grant commitments (Available):		
Credit institutions	-	-
Public sector	227,621	342,205
Other resident sectors	2,309,118	1,975,991
Non-residents	3,699	3,532
Total	**2,540,438**	**2,321,728**
Other commitments granted		
Securities subscribed pending disbursement	5,750	350
Other commitments granted	103,574	106,202
Total	**109,324**	**106,552**

The coverage of future payments associated with the financial items stated in the account "Provisions for contingent risks and liabilities" on the liability side of the balance sheet totals €8,340 thousand in 2016 (Note 13.2).

The average interest rate offered for these commitments is 2.34% in 2016 (2.57% in 2015).

22. Related party transactions

In the case of risk transactions involving related parties, the Group has developed procedures for the granting, authorisation and monitoring of this type of transactions using transparent criteria included in the *Credit Risk Control and Management Procedures and Policies Manual* (Note 6).

In 2016 and 2015 no significant transactions were carried out and none took place under non-market conditions with parties related to the Group. At 31 December 2016 and 2015, the Parent's balances generated as a result of transactions with associated parties are as follows:

	Thousand euro							
	Outstanding Ammounts (Balance)							
	Subsidiaries and other entities in the same group		Associates and joint ventures		Key management personnel at the entity or the parent		Other related parties	
	2016	2015	2016	2015	2016	2015	2016	2015
Selection of financial assets	**-**	**-**	**88,952**	**38,750**	**5,699**	**5,516**	**140,097**	**79,260**
Equity instruments	-	-	-	-	-	-	6,563	-
Debt securities	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	88,952	38,750	5,699	5,516	133,534	79,260
Of which: financial assets with impaired value	-	-	*8,979*	*8,133*	-	-	*629*	*578*
Selection of financial liabilities	**705**	**-**	**151,693**	**129,264**	**3,454**	**3,116**	**67,653**	**5,639**
Deposits	705	-	151,693	129,264	3,454	3,116	67,653	5,639
Issued debt securities	-	-	-	-	-	-	-	-
Face value of loan commitments, financial guarantees and other commitments granted	**-**	**-**	**2,081**	**2,687**	**307**	**193**	**65,192**	**30,469**
Of which: showing non-payment	-	-	-	*482*	-	-	-	-
Loan commitments, financial guarantees and other commitments received	-	-	-	-	-	-	-	-
Notional value of derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**600**	**-**
Value adjustments and provisions for debt instruments with an impaired value and non-performing guarantees and commitments.	**-**	**-**	**4,534**	**14,582**	**-**	**9**	**676**	**46,629**
	Current period (results)							
Interest income	-	-	1,082	411	36	46	1,449	326
Interest expense	-	-	301	688	8	18	91	-
Dividend income	-	-	-	-	-	-	-	-
Fee income	-	-	260	106	2	4	463	82
Fee expense	-	-	-	-	-	1	-	-
Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through changes in profit or loss.	-	-	-	-	-	-	-	-
Gains or losses on the disposal of non-financial asset accounts.	5	(127)	-	-	-	-	-	-
Increase or decrease during the period in the value impairment and the provisions for impaired debt instruments and non-performing guarantees and commitments.	-	-	-	-	-	-	45,045	-

Details of credit risks and off-balance sheet exposures assumed at 31 December 2016 and 2015 with parties related to the Group are as follows:

	Thousand euro	
	2016	**2015**
Loan and off-balance sheet exposure		
Amount	228,185	123,526
Interest rate	0.01% - 11.50%	0.08% - 15.00%
Collateral	Personal and mortgage	Personal and mortgage
Remaining term	From 1 to 37 years	From 1 to 38 years
Deposits,		
Amount	222,799	138,019
Interest rate	0.00% - 3.75%	0.00% - 3.75%
Remaining term	From 1 to 24 months	From 1 to 24 months

23. Compensation for the Governing Body and Executives

Remuneration, including all items, accrued to the Board directors and executives of the Group's parent entity, Banco de Crédito Social Cooperativo, S.A., during 2016 and 2015 is analysed below:

	Thousand euro					
2016	**Fees**	**Attendance per diems**	**Fixed compensation**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Directors	997	272	885	36	2,604	95
Executives	-	-	1,890	130	902	48
Total	**997**	**272**	**2,775**	**166**	**3,506**	**143**

	Thousand euro					
2015	**Fees**	**Attendance per diems**	**Fixed compensation**	**Social Security expenses**	**Post-employment benefits**	**Other remuneration (*)**
Directors	848	210	779	29	19	67
Executives	-	-	1,371	82	199	30
Total	**848**	**210**	**2,150**	**111**	**218**	**97**

(*) Other remuneration (variable or in-kind) and expenses,

The heading Post-employment benefits records the payments relating to pension and life insurance premium obligations, regardless of whether or not they are directly attributed to the beneficiary, at 31 December 2016 and 2015.

Remuneration accrued to the members of the parent entity's Board of Directors for fees and attendance premiums during 2016 and 2015 is as follows:

	Thousand euro			
	2016		2015	
	Fees	Attendance per diems	Fees	Attendance per diems
Mr, Luis Rodríguez González	130	28	130	27
Mr, Manuel Yebra Sola	70	25	70	26
Mrs, Marta De Castro Aparicio	130	34	133	32
Mr, Eduardo Baamonde Noche	-	-	130	32
Mr, Juan Carlos Rico Mateo	45	12	45	11
Mr, José Antonio García Perez	45	11	45	10
Mr, Antonio Luque Luque	50	16	50	14
Mr, Francisco Oña Navarro	128	27	125	25
Mrs, Mª Amparo Ribera Mataix	127	33	23	7
Mrs, Mª Teresa Vázquez Calo	55	21	23	6
Mr, Juan Bautista Mir Piqueras	50	15	50	12
Mr, Bernabé Sánchez Minguet-Martínez	50	25	24	10
Mr, Carlos Pedro de la Higuera Pérez	33	12	-	-
Mr, Hilario Hernandez Marques	73	12	-	-
Mr, Antonio Cantón Góngora	10	3	-	-
	997	**272**	**848**	**210**

Termination commitments: There are contractual guarantees in the event of unfair dismissal or equivalent termination, guaranteeing minimum benefits of two to four years' salary.

At the end of 2016 the Group recorded a Directors and Officers liability policy and the premium paid to the insurance company totals €262 thousand.

24. Requirements regarding reporting transparency

In accordance with the RD 716/2009 (24 April) (Note 1.4) which develops Law 2/1981 (25 March), the Governing Body declares that policies and explicit procedures exist which cover all the relevant aspects regarding the Mortgage Market and that those policies and procedures guarantee compliance with the applicable legislation.

Amongst the general credit operations admission policies, are regulated:

- The criteria as to consider that a risk is sufficiently guaranteed

- The maximum financed amount with respect to the properties in guarantee, depending on its nature

- The rules in determining property investments value, amongst which a valuation of the property investments is required. This valuation should be certified by an appraisal entity which should be officially approved by the Entity.

- The required criteria to officially approve the appraisal Entity.

- The policies so as to measure the capacity of payment of the borrowers, from which the prudence outstands:

  - The ones taking into account eventual rises in installments due to the rise in interest rates.
  - The ones that end with the initial payment facilities included in some kinds of products, such as principal grace periods or increasing amortization systems.

- The credit operations admission frontier, that take into account the results in the capacity of payment evaluation

- The necessary documents for the application of the credit operations which should include:

  - Information about the capital wealth of the parties in the operation
  - Financial information that can lead to evaluate the capacity of generating resources from the parties.

In the general management and control of liquidity risk policies, rules exist that guarantee the existence of enough liquidity to always attend the payment obligations of the Group.

24.1 Information Regarding the Mortgage Market

The information regarding the special accounting registry for the mortgage loans issued by the Entity as well as de financial instruments and other operations related to the mortgage market is shown, in accordance with Law 2 /1981 (25 March) regulating the Mortgage Market, modified by Law 41/2007 (7 December) and in accordance with the information required by RD 716/2009 (24 April), whereby some aspects of the mentioned law are developed.

The nominal and updated value of the credit and mortgage loans that support the mortgage bonds and securities at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro	
	Par value	
	2016	**2015**
1, Total loans (a)	**22,488,856**	**24,372,432**
2, Mortgage shares issued	**1,407,069**	**1,483,083**
Of which: loans recognised as an asset	1,205,166	1,259,510
3, Mortgage transfer certificates issued	**4,085,954**	**3,527,787**
Of which: loans recognised as an asset	4,062,493	3,500,754
4, Mortgage loans securing financing received	**-**	**-**
5, Loans that back the issue of mortgage bonds and certificates (1 - 2 - 3 - 4)	**16,995,833**	**19,361,562**
Ineligible loans (b)	5,903,944	7,980,665
Comply with the requirements to be eligible, except for the limit established by 5,1 of RD 716/2009	1,706,735	2,536,702
Rest of ineligible loans	4,197,209	5,443,963
Eligible loans (c)	11,091,889	11,380,897
Loans covering mortgage bond issues	-	2,589
Loans eligible to cover mortgage bond issues	11,091,889	11,378,308
Computable amounts	605,032	669,987
Computable amounts	10,486,857	10,708,321

The nominal value of the available amounts (undrawn committed amounts), of the mortgage loans that support the issue of mortgage bonds and securities, differentiating those which are potentially eligible at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro	
	Available principals	
	2016	2015
Loans backing the issue of mortgage or covered bonds (a)	**143,684**	**116,941**
Potentially eligible	28,219	21,718
Not eligible	115,465	95,223

The nominal value of all the mortgage loans and credits ineligible that fail with the limits established in RD 716/2009 (article 5.1) but however complies with all the rest of the requirements of the eligible, indicated in article number four of the RD, amounts €1,706,735 thousand at 31 December 2016 (€2,536,702 thousand at 31 December 2015).

The disclosures regarding the loans backing the Group's covered bonds, specifying those considered eligible, at year-end 2016 and 2015:

	Thousand euro			
	2016		2015	
	Loans backing the issue of mortgage or covered bonds (a)	Of which: eligible loans	Loans backing the issue of mortgage or covered bonds (a)	Of which: eligible loans
TOTAL	**16,995,833**	**11,091,889**	**19,361,561**	**11,380,897**
Origin of transactions	**16,995,833**	**11,091,889**	**19,361,562**	**11,380,897**
Originated by the entity	15,197,685	9,547,691	17,298,141	9,763,248
Subrogations by other companies	1,715,423	1,500,374	1,978,301	1,577,332
Other	82,725	43,824	85,120	40,317
Currency	**16,995,833**	**11,091,889**	**19,361,562**	**11,380,897**
Euro	16,995,833	11,091,889	19,361,562	11,380,897
Rest of currencies	-	-	-	-
Payment status	**16,995,833**	**11,091,888**	**19,361,562**	**11,380,897**
Normal payment	12,459,034	9,494,973	13,648,763	9,465,019
Other situations	4,536,799	1,596,915	5,712,799	1,915,878
Average residual maturity	**16,995,833**	**11,091,888**	**19,361,562**	**11,380,897**
Up to 10 years	3,372,651	1,965,048	3,728,987	1,979,482
From 3 to 20 years	6,623,041	4,498,408	7,073,025	4,238,647
From 3 to 30 years	5,280,412	3,438,958	6,385,456	3,817,254
More than 30 years of age	1,719,729	1,189,474	2,174,094	1,345,514
Interest rates	**16,995,833**	**11,091,888**	**19,361,562**	**11,380,897**
Indefinite	508,593	296,313	574,331	330,532
Variable	13,515,878	9,254,326	15,885,677	9,770,817
Mixed	2,971,362	1,541,249	2,901,554	1,279,548
Right holders	**16,995,833**	**11,091,889**	**19,361,562**	**11,380,897**
Legal persons and self-employed (business activities)	6,592,843	2,970,776	7,768,952	3,031,572
Of which: construction and real estate development (including land)	1,893,792	500,368	2,681,272	667,322
Other households	10,402,990	8,121,113	11,592,610	8,349,325
Type of guarantee	**16,995,833**	**11,091,890**	**19,361,561**	**11,380,897**
Assets - finished buildings	**14,408,749**	**10,052,755**	**16,230,703**	**10,277,478**
Homes	12,712,208	9,222,241	14,281,238	9,418,695
Of which - Homes under official protection arrangements.	647,853	438,977	686,666	436,583
Offices and commercial premises	82,109	30,938	90,650	21,703
Other land and buildings	1,614,432	799,576	1,858,815	837,080
Assets - buildings under construction	**506,305**	**141,290**	**663,856**	**178,046**
Homes	209,683	38,669	353,397	72,637
Of which - Homes under official protection arrangements.	5,326	2,855	31,150	11,298
Offices and commercial premises	34,439	8,153	46,275	6,374
Other land and buildings	262,183	94,468	264,184	99,035
Land	**2,080,779**	**897,845**	**2,467,002**	**925,373**
Consolidated urban land	659,778	147,031	857,516	170,112
Other land	1,421,001	750,814	1,609,486	755,261

The following table shows, for the years ended at 31 December 2016 and 31 December 2015, the relationship between the mortgage loans and credits and the appraisal values corresponding to the last available valuation corresponding to the last available valuation of the respective mortgaged goods (Loan to value-LTV).

	Thousand euro					
	2016					
	the amnount of the latest appraisal available (loan to value).					
	LAA≤40%	40%<LAA≤60%	LAA≤60%	60%<LAA≤80%	LAA≤80%	Total
Eligible loans backing the issue of mortgage or covered bonds (a)	**3,572,232**	**4,604,634**	**80**	**2,914,943**	**-**	**11,091,889**
Homes	1,863,802	3,052,360	-	2,914,943	-	7,831,105
Other properties	1,708,430	1,552,274	80	-	-	3,260,784

	Thousand euro					
	2015					
	the amnount of the latest appraisal available (loan to value).					
	LAA≤40%	40%<LAA≤60%	LAA≤60%	60%<LAA≤80%	LAA≤80%	Total
Eligible loans backing the issue of mortgage or covered bonds (a)	**3,442,168**	**4,579,684**	**323**	**3,358,722**	**-**	**11,380,897**
Homes	1,806,470	2,974,239	-	3,358,722	-	8,139,431
Other properties	1,635,698	1,605,445	323	-	-	3,241,466

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

	Thousand euro			
	2016		2015	
	Eligible loans	Ineligible loans	Eligible loans	Ineligible loans
Beginning balance	**11,380,897**	**7,980,665**	**11,817,478**	**8,377,186**
Derecognition in the period	**1,446,722**	**3,125,793**	**1,531,492**	**1,660,292**
Outstanding principal collected in cash	849,407	772,962	775,122	434,218
Early cancellations	236,698	149,342	234,440	172,905
Subrogations by other entities	-	-	-	-
Other disposals	360,617	2,203,489	521,930	1,053,169
Additions during the period	**1,157,714**	**1,049,072**	**1,094,911**	**1,263,771**
Originated by the entity	315,243	798,775	395,429	752,110
Subrogations by other companies	18,653	40,503	24,401	53,505
Other additions	823,818	209,794	675,081	458,156
Ending balance	**11,091,889**	**5,903,944**	**11,380,897**	**7,980,665**

The qualitative and quantitative information at 31 December 2016 and 2015, regarding assets received as payment of debts regarding the destiny of the initial granted financing is as follows:

	Miles de euros			
	2016			
	Gross amount	**Measurement adjustments**	**Of which: Value corrections due to impairment of assets as from foreclosure**	**Carrying value**
Real estate assets from financing provided to construction and real estate development companies	**2,938,853**	**(1,672,621)**	**(508,341)**	**1,266,232**
Finished buildings and other facilities	*1,331,767*	(641,008)	(161,721)	*690,759*
Homes	1,040,038	(494,337)	(118,141)	545,701
Other	291,729	(146,671)	(43,580)	145,058
Buildings and other facilities under construction	*270,457*	(167,474)	(26,812)	*102,983*
Homes	264,449	(164,946)	(25,473)	99,503
Other	6,008	(2,528)	(1,339)	3,480
Land	*1,336,629*	(864,139)	(319,808)	*472,490*
Consolidated urban land	615,945	(395,812)	(163,035)	220,133
Other land	720,684	(468,327)	(156,773)	252,357
Real estate assets from mortgage financing to acquire homes	**592,453**	**(259,128)**	**(57,595)**	**333,325**
Other real estate assets received as payment of debt	**645,354**	**(308,273)**	**(50,155)**	**337,081**
Foreclosed real estate assets or those received as payment in lieu of debts	**-**	**-**	**-**	**-**
Equity instruments in companies holding real estate assets that have been foreclosed or received as payment in lieu of debts,	**117**	**(4)**	**(4)**	**113**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debts	**112,185**	**(62,769)**	**(62,633)**	**49,416**

	Thousand euro			
	2015			
	Gross amount	**Measurement adjustments**	**Of which: Value corrections due to impairment of assets as from foreclosure**	**Carrying value**
Real estate assets from financing provided to construction and real estate development companies	**2,662,921**	**(1,472,841)**	**(491,476)**	**1,190,080**
Finished buildings and other facilities	*1,227,626*	(574,609)	(173,333)	*653,017*
Homes	981,418	(453,065)	(127,271)	528,353
Other	246,208	(121,544)	(46,062)	124,664
Buildings and other facilities under construction	*257,928*	(153,379)	(23,629)	*104,549*
Homes	251,920	(151,059)	(22,499)	100,861
Other	6,008	(2,320)	(1,130)	3,688
Land	*1,177,367*	(744,853)	(294,514)	*432,514*
Consolidated urban land	547,380	(347,883)	(147,389)	199,497
Other land	629,987	(396,970)	(147,125)	233,017
Real estate assets from mortgage financing to acquire homes	**571,641**	**(249,611)**	**(60,941)**	**322,030**
Other real estate assets received as payment of debt	**577,173**	**(270,507)**	**(52,823)**	**306,666**
Foreclosed real estate assets or those received as payment in lieu of debts	**-**	**-**	**-**	**-**
Equity instruments in companies holding real estate assets that have been foreclosed or received as payment in lieu of debts,	**117**	**(1)**	**(1)**	**116**
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debts	**113,261**	**(63,704)**	**(63,704)**	**49,557**

The Group maintains policies and strategies related to the recuperation of liquidity of this kind of assets, which are collected and detailed in Note 6 of these annual accounts.

At 31 December 2016 and 31 December 2015 there are no assets subject to security issues.

All of the bond and securities issues have been made under no public offer, the aggregate nominal value qualified according to their residual maturity date at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro		Years	
	Par value		**Average residual term**	
	2016	**2015**	**2016**	**2015**
Mortgage bonds issued	**-**	**-**	-	-
Of which: recognised under liabilities	-	-	-	-
Mortgage certificates issued (b)	**5,500,000**	**5,300,000**	-	-
Of which: recognised under liabilities	2,250,000	3,550,000	-	-
Debt securities Issued by public offerings			-	-
Residual term up to one year	-	-	-	-
Residual term > 1 year to 2 years	-	-	-	-
Residual term > 2 years to 3 years	-	-	-	-
Residual term > 3 years to 5 years	-	-	-	-
Residual term > 5 years to 10 years	-	-	-	-
Residual term > 10 years	-	-	-	-
Debt securities Rest of Issues	**5,500,000**	**4,500,000**	-	-
Residual term up to one year	500,000	1,000,000	-	-
Residual term > 1 year to 2 years	750,000	750,000	-	-
Residual term > 2 years to 3 years	750,000	750,000	-	-
Residual term > 3 years to 5 years	1,250,000	750,000	-	-
Residual term > 5 years to 10 years	2,250,000	1,250,000	-	-
Residual term > 10 years	-	-	-	-
Deposits	**-**	**800,000**	-	-
Residual term up to one year	-	800,000	-	-
Residual term > 1 year to 2 years	-	-	-	-
Residual term > 2 years to 3 years	-	-	-	-
Residual term > 3 years to 5 years	-	-	-	-
Residual term > 5 years to 10 years	-	-	-	-
Residual term > 10 years	-	-	-	-
Mortgage shares issued	**1,407,069**	**1,483,083**	-	-
Issued by public bid	-	-	-	-
Rest of Issues	1,407,069	1,483,083	17	15
Mortgage transfer certificates issued	**4,085,954**	**3,527,787**	-	-
Issued by public bid	-	-	-	-
Rest of Issues	4,085,954	3,527,787	20	17

At 31 December 2016 and 31 December 2015 no mortgage bond issue existed.

24.2 Information regarding construction, real estate and property purchase financing

The information required by the Spanish Central Bank, related to the informative transparency regarding construction, real estate and property purchase financing, as well as financing strategies and needs is detailed.

The details of the financing intended to real estate construction and promotion as well as its hedges at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro					
	Gross carrying amount		Excess above the value of the guarantee		Accumulated impairment	
	2016	2015	2016	2015	2016	2015
Financing for real estate development and construction and coverage (business in Spain)	**3,296,639**	**2,893,856**	**862,926**	**1,334,671**	**(635,319)**	**(1,280,043)**
Of which: doubtful	1,562,324	2,266,001	803,839	1,179,835	(628,474)	(1,266,485)
Memorandum:						
Failed assets	162,799	346,288				

	Thousand euro	
	2016	2015
Customer loans, excluding public institutions (businesses in Spain) (carrying amount)	28,668,733	29,286,701
Total assets (total business) (carrying amount)	39,166,082	40,461,436
Impairment and provisions for exposures classified as normal (total business)	(675,341)	(49,571)

The gross amount, without taking into consideration impairment adjustments, of the operations classified by its associated guarantee at 31 December 2016 and 31 December 2015 has the following breakdown:

	Thousand euro	
	2016	2015
No mortgage guarantee	**210,347**	**136,765**
With mortgage guarantee (broken down based on type of mortgaged asset)	**1,954,212**	**2,757,091**
Finished buildings and other facilities	*803,909*	*1,184,244*
	695,415	933,613
	108,494	250,631
Buildings and other facilities under construction	*517,660*	*681,496*
	216,059	365,744
	301,601	315,752
Land	*632,643*	*891,351*
	565,243	789,405
	67,400	101,946
Total	**2,164,559**	**2,893,856**

The detail of retail loans for the adquisition of housing at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro			
	2016		2015	
	Gross carrying amount	Of which: doubtful	Gross carrying amount	Of which: doubtful
Home acquisition loans	**12,557,324**	**814,752**	**13,156,109**	**853,036**
No property mortgage	3,965	1,820	72,168	5,789
With property mortgage	12,553,359	812,932	13,083,941	847,247

The Loan to Value (LTV) ranges for the retail mortgage portfolio at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro					
	2016					
	Gross carrying amount as a percentage of the latest appraisal (loan to value)					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Gross carrying amount	2,628,126	4,646,875	3,716,295	722,285	839,778	12,553,359
Of which: doubtful	40,155	128,031	276,673	146,696	221,377	812,932

	Thousand euro					
	2015					
	Gross carrying amount as a percentage of the latest appraisal (loan to value)					
	LTV≤ 40%	40% < LTV≤ 60%	60% < LTV≤ 80%	80< LTV <= 100%	LTV> 100%	Total
Gross carrying amount	2,519,883	4,563,040	4,331,372	768,032	901,614	13,083,941
Of which: doubtful	39,214	126,309	310,915	156,374	214,434	847,246

24.3 Quantitative information related to the financing needs and strategies

The Assets and Liabilities Committee (ALCO) is responsible for the management of the liquidity of the Group. The principles, instruments and limits in which risk management is based are described in Note 6- Risk Management.

At 31 December 2016 has closed with a hedging level of the retail and medium and long term loan portfolio of 89.97% (compared to 96.6% for 2015), while financing needs are covered in an amount of 98.96% (105.3% for 2015) through stable financing sources.

The Group carried out three issues of mortgage bonds for a total of €1,500 million that were fully retained and an issue of subordinated debt for a total of €100 million that was fully placed in wholesale markets. During the year mortgage bonds totalling €1,800 thousand matured during the year, of which €500 million related to a retained issue and the remaining €1,300 million related to three issues that were placed in the market.

During the period being analysed there were two new issues of securitized assets, both fully retained: a mortgage issue totalling €750 million and another involving small and medium-sized companies totalling €1,000 million. The regular ordinary amortization of active issues maintained by the Group also took place (amortization of net securities issued).

On the other hand the Group maintains liquid assets (eligible for financing operations with The Europan Central Bank) for €10,446 million of nominal value, as a colleteral financial instruments issuance capacity (securities issues and territorial bonds issues) which exceeds €3,599 million.

The breakdown of the information regarding the financial needs and strategies at 31 December 2016 and 31 December 2015 is as follows:

	Thousand euro			Thousand euro	
	2016	**2015**		**2016**	**2015**
Stable financing needs			Stable financing sources		
Loans and advances to customers	25,202,233	26,631,679	Customers covered 100% by D.G.F.	18,932,752	19,159,508
Loans to group companies and related parties	267,486	281,481	Customers not covered 100% by D.G.F.	6,424,571	6,205,311
Securitised loans	5,943,544	5,002,079			
Specific funds	(2,184,577)	(2,601,764)			
Foreclosed assets	2,552,729	1,818,776			
Total customer loans	**31,781,415**	**31,132,251**	Total customer deposits	**25,357,323**	**25,364,819**
Shares	**97,947**	**70,445**			
			Mortgage bonds and securities	2,250,000	3,550,000
			Territorial bonds	-	-
			Senior debt	-	-
			Issued secured by the government	-	-
			Subordinated, preferred and convertible	100,000	-
			Other short and long-term financial instruments	57,000	80,000
			Securitisations sold to third parties	830,626	1,061,473
			Other financing falling due in more than 1 year	-	3,617
			Commercial paper	-	-
			Wholesale long-term financing	**3,237,626**	**4,695,090**
			Equity	**2,954,184**	**2,797,842**
Total financing needs	**31,879,362**	**31,202,696**	Total stable sources of financing	**31,549,133**	**32,857,751**

The breakdown of retail customer deposits secured and not secured by the Deposit Guarantee fund for 2016 and the restated figures for 2015 are shown pursuant to Bank of Spain Circular 8/2015 (18 December) and Royal Decree 1012/2015 (6 November) which amends, among other regulations, Article 4 of Royal Decree 2606/1996 determining the deposits that are guaranteed.

The maturity detail of the wholesale debt at 31 December 2016 is as follows:

	Thousand euro			
	2017	**2018**	**2019**	**>2019**
Issue:				
Mortgage bonds and securities	-	750,000	-	1,500,000
Territorial bonds	-	-	-	-
Senior debt	-	-	-	-
Issued secured by the government	-	-	-	-
Subordinated, preferred and convertible	-	-	-	100,000
Other short and long-term financial instruments	57,000	-	-	-
Other financing with a residual maturity exceeding 1 year	-	-	-	-
Securitisations sold to third parties	70,800	66,398	67,940	625,489
Commercial paper	-	-	-	-
Total maturities of wholesale issues	**127,800**	**816,398**	**67,940**	**2,225,489**

Liquid assets and the emission capacity available at 31 December 2016 and 31 December 2015 are as follows:

	Thousand euro	
	2016	2015
LIQUID ASSETS		
Liquid assets (nominal value)	10,465,828	9,338,485
Liquid assets (market value and ECB cuts)	9,664,465	9,230,272
Of which:		
debt with central public institutions	*3,915,710*	*4,759,967*
Liquid assets (market value and ECB cuts)	6,564,729	5,827,051
Liquid assets (market value and ECB cuts)	3,099,736	3,403,221
ISSUE CAPACITY		
Mortgage bond	3,411,779	3,154,717
Territorial bonds	187,494	237,288
Available issues secured by the government	-	-
Total issue capacity	**3,599,273**	**3,392,005**

24.4 Disclosures regarding refinanced and restructured transactions

The Spanish Central Bank issued Circular 6/2012, on public and confidential reporting requirements and financial statement templates on 2 October 2012, thereby amending Circular 4/2004 of 22 December. In 2013, the Spanish Central Bank issued additional guidance on how to comply with Circular 6/2012 with respect to the identification and classification of refinancing transactions. Bank of Spain Circular 4/2016 (27 April) subsequently modified the classification criteria for the transactions catalogued as refinanced and/or restructured, such that those transactions will be classified as transactions under special supervision during the test period until all of the following requirements are met:

- It is highly likely that the borrower will comply with obligations to the Group in due time in form, i.e. there is an adequate payment plan and new effective collateral is provided.

- At least two years have elapsed since the date the restructuring or refinancing transaction was formally concluded, or if later, since the date of reclassification from the doubtful risk category.

- The borrower has paid all accrued principal and interest amounts since the date on which the restructuring or refinancing transaction was formally concluded or, if later, since the date of reclassification from the doubtful category.

- The borrower has no other transaction with amounts outstanding for more than 30 days after the test period.

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

Detail of operations of refinance, refinanced and restructured at 31 December 2016 and 2015, according to the content of Circular 6/2012 (September 28) of the Spanish Central Bank and the policies established by the Group is as follows:

2016	Total						
	Unsecured		With real guarantee				
	Transaction number	Gross carrying amount	Transaction number	Gross carrying amount	Maximum amount of real guarantees that may be considered: Real estate guarantee	Maximum amount of real guarantees that may be considered: Other real guarantees	Impairment of accumulated value or accumulated losses on fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public institutions	13	110,892	-	-	-	-	(413)
Other financial companies and self-employed (financial business activity)	8	313	23	1,822	802	767	(379)
Non-financial companies and self-employed (non-financial business activity)	2,267	225,896	8,469	2,603,494	595,382	1,229,525	(870,824)
Of which: financing for construction and real estate development (including land)	*1*	*1,705*	*1,300*	*1,255,126*	*29,933*	*736,380*	(489,121)
Other households	8,356	95,739	14,945	1,385,514	838,849	351,137	(220,386)
Total	**10,644**	**432,840**	**23,437**	**3,990,830**	**1,435,033**	**1,581,429**	**(1,092,002)**
Additional information							
Financing classified as non-current assets and disposable groups of assets that have been classified as held-for-sale	-	-	-	-	-	-	-

Thousand euro

	Of which: Doubtful						
	Unsecured		With real guarantee				
	Transaction number	Gross carrying amount	Transaction number	Gross carrying amount	Maximum amount of real guarantees that may be considered: Real estate guarantee	Maximum amount of real guarantees that may be considered: Other real guarantees	Impairment of accumulated value or accumulated losses on fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public institutions	2	951	-	-	-	-	-
Other financial companies and self-employed (financial business activity)	2	167	8	655	119	313	(341)
Non-financial companies and self-employed (non-financial business activity)	1,159	156,649	5,536	2,081,586	335,530	990,428	(842,943)
Of which: financing for construction and real estate development (including land)	*1*	*1,705*	*1,130*	*1,185,758*	*27,389*	*674,218*	(484,461)
Other households	2,880	48,107	7,808	776,194	394,864	203,724	(200,385)
Total	**4,043**	**205,874**	**13,352**	**2,858,435**	**730,513**	**1,194,465**	**(1,043,669)**
Additional information							
Financing classified as non-current assets and disposable groups of assets that have been classified as held-for-sale	-	-	-	-	-	-	-

2015

	Thousand euro						
	Total						
	Unsecured		With real guarantee				
	Transaction number	Gross carrying amount	Transaction number	Gross carrying amount	Maximum amount of real guarantees that may be considered: Real estate guarantee	Maximum amount of real guarantees that may be considered: Other real guarantees	Impairment of accumulated value or accumulated losses on fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public institutions	16	116,075	1	13,745	-	13,745	-
Other financial companies and self-employed (financial business activity)	2	1	26	2,205	1,875	65	(265)
Non-financial companies and self-employed (non-financial business activity)	2,632	154,917	17,061	4,310,576	2,654,304	136,594	(1,593,991)
Of which: financing for construction and real estate development (including land)	*14*	*3,021*	*2,024*	*2,003,011*	*969,111*	*952*	(1,036,146)
Other households	15,190	95,375	31,293	2,632,914	2,394,088	15,394	(251,084)
Total	**17,840**	**366,368**	**48,381**	**6,959,440**	**5,050,267**	**165,798**	**(1,845,340)**
Additional information							
Financing classified as non-current assets and disposable groups of assets that have been classified as held-for-sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Thousand euro						
	Of which: Doubtful						
	Unsecured		With real guarantee				
	Transaction number	Gross carrying amount	Transaction number	Gross carrying amount	Maximum amount of real guarantees that may be considered: Real estate guarantee	Maximum amount of real guarantees that may be considered: Other real guarantees	Impairment of accumulated value or accumulated losses on fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public institutions	2	1,111	-	-	-	-	-
Other financial companies and self-employed (financial business activity)	1	-	7	433	171	-	(262)
Non-financial companies and self-employed (non-financial business activity)	1,612	87,095	8,736	3,045,179	1,508,214	29,767	(1,581,948)
Of which: financing for construction and real estate development (including land)	*14*	*3,021*	*1,629*	*1,829,952*	*804,737*	-	(1,028,458)
Other households	7,278	32,526	9,467	794,095	571,519	2,995	(247,755)
Total	**8,893**	**120,732**	**18,210**	**3,839,707**	**2,079,904**	**32,762**	**(1,829,965)**
Additional information							
Financing classified as non-current assets and disposable groups of assets that have been classified as held-for-sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Detail of operations classified as default, after they had been refinanced or restructured, during 2016 and 2015 is as follows:

	Thousand euro	
	2016	2015
Public institutions	-	-
Other individual legal persons and businesses	102,827	229,347
Of which: Financing for construction and development	23,727	*90,776*
Other natural persons	148,057	153,684
Total	**250,884**	**383,031**

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

25. Breakdown of the consolidated income statement

The most significant headings in the accompanying consolidated income statement at 31 December 2016 and 31 December 2015 are as follows:

- **Interest and similar yields, interest.**

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

	Thousand euro	
Interest income	**2016**	**2015**
Cash equivalent balances at central banks	31	114
Cash equivalents at credit institutions	258	96
Other loans and credit facilities	663,854	770,864
Debt securities (Notes 7.4.2. 7.5.1. 7.6.3 and 7.7)	29,310	42,781
Doubtful transactions:	2,298	3,806
Hedge derivatives	8,667	-
Other assets:	7,597	9,314
Yields on pension plan assets (Note 13.1)	*1,148*	*1,873*
Other	*6,449*	*7,441*
Total	**712,015**	**826,975**
Interest expense		
Sight deposits at central banks	(1,704)	(2,849)
On demand deposits at credit institutions	(11,792)	(18,626)
Other deposits	(79,472)	(207,195)
Debt securities issued (Note 7.8.4)	(54,758)	(57,580)
Subordinated liabilities (Note 7.8.5)	(1,461)	(6,297)
Derivatives and hedge transactions	(635)	33,467
Other liabilities:		
Pension funds interest expense (Note 13.1)	(1,318)	*(1,962)*
Other	(3,177)	*(1,220)*
Total	**(154,317)**	**(262,262)**

- **Return on equity instruments**

The details of this caption on the consolidated income statements for 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Income from equity security dividends (Note 7,5,2)	4,909	3,512
Total	**4,909**	**3,512**

- **Results in Entities measured under the equity method**

The contribution to profit or loss of entities accounted for using the equity method (Notes 2.7. and 10) on the consolidated profit and loss statements for 2016 and 2015 is as follows:

	Thousand euro	
	2016	**2015**
Cajamar Vida, S.A. de Seguros y Reaseguros	17,491	16,409
Cajamar Seguros Generales. S.A.	1,738	954
Apartamentos Media Luna S.L.	391	514
Agrocolor S.L.	81	43
Parque de innovación y tecnológico de Almería	(359)	(541)
Murcia emprende. S.C.R.. S.A.	(56)	(41)
Biocolor. S.L.	30	(69)
Proyecta Ingenio. S.L.	6	(4)
GCC Consumo EFC S.A	(3,555)	-
Other associates	-	(17)
Total	**15,767**	**17,248**

- The heading **"Fee and Commissions income" and "Fee and Commissions expense"** in the accompanying consolidated income statement records the amount all commissions received and paid by the Group that accrued during the year, except for those that form part of the effective interest rate for financial instruments, The criteria followed to record these items in results are explained in Note 3.16. The details of products generating fee and commission income or expenses during 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Fee income		
On financial guarantees and other commitments granted	11,108	10,161
For contingent commitments granted	12,854	11,347
Currency and foreign bank notes exchange	1,202	1,276
Collection and payment services	187,969	184,796
Securities and custodian services	2,034	2,803
Marketing of non-bank financial products	41,463	35,034
Other fees	22,066	32,323
Total	**278,696**	**277,740**
Fee expense		
Brokerage in asset and liability transactions	-	-
Commissions ceded to other banks and correspondent banks	(17,067)	(14,584)
Fees paid on securities transactions	-	-
Other fees	(177)	(202)
Total	**(17,244)**	**(14,786)**

- **Gain and losses of assets and liabilities**

The details of this caption on the consolidated income statements for 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
For financial assets and liabilities not measured at fair value through changes in profit or loss	**139,014**	**65,131**
For available-for-sale financial assets (Notes 7.5.1 and 7.5.2)	*136,090*	*47,782*
For loans and receivables (loan investments)	*(177)*	*5,330*
Investments held-to-maturity	-	-
Financial liabilities at amortized cost (Note 7.8.3)	*42*	*8,219*
Other Results		
Fees on asset securitisations written-off (Note 7.6.2.2)	*3,104*	*3,327*
Other	*(45)*	*472*
Financial assets designated at fair value through changes in profit or loss	**47,184**	**39,906**
For held-for-trading assets and liabilities. net	**83**	**474**
For book hedges not included under interest	**(131)**	**(31)**
Hedge derivatives	*(8,216)*	*(33,771)*
Hedged items	*8,085*	*33,740*
Total	**186,150**	**105,479**

- **Other operating revenues**

The details of this caption on the consolidated income statements for 2016 and 2015 are as follows:

	Thousand euro	
	2016	**2015**
Real estate investment expenses (Note 11)	9,546	6,888
Revenues from other operating leases	-	-
Sales and revenues from non-financial services rendered	7,216	8,177
Financial fees offsetting direct costs	8,795	11,750
Expenses included in assets:	-	-
Insurance company indemnity	95	101
Other recurring products	10,775	37,624
Other non-recurring products	1,206	5,744
Total	**37,633**	**70,284**

- **Other operating expenses**

The details of this caption on the consolidated income statements are as follows:

	Thousand euro	
	2016	**2015**
Change in inventories	-	(3,867)
Revenues from exploitation of investment properties (Note 11)	(1,021)	(1,396)
Contribution to Deposits Guarantee Fund (Note 3.17)	(40,688)	(39,272)
Other operating expenses	(9,347)	(31,779)
Mandatory allocation to community projects fund	(1,949)	(1,393)
Total	**(53,005)**	**(77,707)**

- **Personnel expenses**

The details of this caption on the consolidated income statements are as follows:

	Thousand euro	
	2016	**2015**
Salaries and bonuses to current personnel	(255,381)	(263,641)
Social Security payments	(74,518)	(75,081)
Appropriations to defined contribution plans (Nota 13.1)	(1,955)	(1,778)
Appropriations to defined contribution plans (Nota 13.1)	(12,212)	(11,200)
Severance indemnities	(2,152)	(1,062)
Training expenses	(856)	(364)
Other personnel expenses	(3,551)	(3,967)
Total	**(350,625)**	**(357,093)**

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

	Credit institutions		Grupo Cooperativo Cajamar	
	2016	2015	2016	2015
Average payroll				
Male	3.272	3.463	3.567	3.782
Female	2.954	3.076	3.133	3.288
Total	**6.226**	**6.539**	**6.699**	**7.070**

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

	2016		2015	
	Male	Female	Men	Female
Executives	34	4	33	6
Department heads and graduates	2,143	1,020	2,172	934
Administrative staff	1,085	1,634	1,165	1,691
Clerical staff	298	468	369	621
Sundry positions	7	6	43	36
Total	**3,567**	**3,133**	**3,782**	**3,288**

The average number of employees in 2016 and 2015 at the Cooperative Group that have a disability equal or exceeding 33% (or equivalent classification) by categories is asa follows:

	2016		2015	
	Male	Female	Men	Female
Executives	-	-		
Department heads and graduates	22	8	18	7
Administrative staff	42	36	42	36
Clerical staff	12	15	12	15
Sundry positions	1	1	5	1
Total	**77**	**60**	**77**	**59**

Benefits-in-kind granted to the Group's employees are included in the collective wage agreement and consist of loans granted at lower than market interest rates.

	Thousand euro	
	2016	2015
Loans and prepayments	984	1,632
Other in-kind remuneration	638	1,723
Total in-kind remuneration	**1,622**	**3,355**

- **Other general administration expenses**

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

	Thousand euro	
	2016	**2015**
Property, plant and equipment:	(37,917)	(35,154)
Computers	(27,789)	(21,305)
Communications	(10,969)	(11,482)
Advertising	(5,667)	(3,198)
Court and attorney's fees	(1,917)	(2,693)
Technical reports	(7,519)	(7,507)
Security and armored car services	(5,907)	(6,441)
Insurance and self-insurance premiums	(1,345)	(1,383)
Governance and Control bodies	(3,156)	(2,776)
Entertainment and travel expenses	(3,100)	(3,092)
Association fees	(902)	(915)
Subcontracted administrative services	(55,370)	(52,365)
Fees and taxes		
On properties	(4,578)	(4,626)
Other	(15,734)	(14,733)
Other expenses	(21,960)	(21,745)
Total	**(203,830)**	**(189,416)**

- **Amortization**

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

	Thousand euro	
	2016	**2015**
Depreciation of property, plant and equipment (Note 11)	**(37,504)**	**(39,918)**
Data-processing equipment	(7,127)	(9,094)
Furniture, Installations and Other	(22,131)	(22,726)
Buildings	(7,956)	(7,827)
Other assets for own use	(290)	(271)
Depreciation of investment property (Note 11)	**(4,778)**	**(4,265)**
Furniture, Installations and Other	(108)	-
Buildings	(4,670)	(4,265)
Amortization of intangible assets (Note 12)	(33,259)	**(33,192)**
Total	**(75,541)**	**(77,375)**

- **Allocations to provisions (net)**

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

	Thousand euro	
	2016	**2015**
Provisions or reversal of provisions (net)		
Allocations to pension funds and similar obligations (Note 13.1)	(34)	1,134
Provisions for liabilities and commitments granted (Note 13.2)	(21,602)	(1,370)
Other provisions (Note 13.3)	(217,903)	(5,896)
Total	**(239,539)**	**(6,133)**

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

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

	Thousand euro	
	2016	**2015**
Available-for-sale financial assets		
Debt securities	(16,998)	373
Equity instruments	270	(9,233)
Loans and receivables		
Deposits from credit institutions (Notes 7.6.1 and 7.6.3)	2,134	(4,288)
Loans and prepayments - customer loans (Notes 7.6.2.3 and 7.6.3)	34,888	(94,433)
Loans and prepayments - Rest of assets (Notes 7.6.2.3 and 7.6.3)	(519)	(770)
Debt securities	46	415
Held-to-maturity financial assets		
Debt securities (Note 7,7)	2,432	(2,429)
Total	**22,253**	**(110,365)**
Other financial assets:		
Goodwill and other intangible assets (Note 12)	(11,015)	(12,239)
Intangible assets (Note 11)	1,693	(3,660)
Other assets (Note 15)	(77,576)	(104,421)
Total	**(86,898)**	**(120,320)**

- **Gain/ (loss) on the disposal of assets not classified as non-current assets for sale**,

The headings recorded on the accompanying consolidated income statements are analyzed below:

	Thousand euro	
	2016	**2015**
Gains on disposals		
Property, plant and equipment	797	585
Investment property	826	895
Property, plant and equipment foreclosed	-	2
Intangible assets	9,032	-
Equity instruments	5	-
Other earnings	13,679	8,511
Total	**24,340**	**9,993**
Losses on disposals		
Property, plant and equipment	(702)	(1,703)
Investment property	(586)	(353)
Property, plant and equipment foreclosed	(576)	(555)
Shares	-	(139)
Other losses	(15,845)	(12,630)
Total	**(17,709)**	**(15,380)**
Total profits/losses	**6,630**	**(5,387)**

- **Gain/(loss) on non-current assets for sale not classified as discontinued operations**

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

	Thousand euro	
	2016	**2015**
Gains on disposals		
Property, plant and equipment	-	292
Investment property	427	199
Property, plant and equipment foreclosed	5,522	5,293
Total	**5,949**	**5,784**
Losses on disposals		
Property, plant and equipment	(2,081)	(3,879)
Investment property	(443)	(119)
Property, plant and equipment foreclosed	(6,753)	(4,225)
Total	**(9,278)**	**(8,223)**
Value corrections due to impairment of non-current assets held-for-sale (Note 9)	**(20,480)**	**(24,298)**
Total profits/losses	**(23,809)**	**(26,737)**

- **Result attributed to minority shareholders**

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

	Thousand euro	
	2016	**2015**
Parque Industrial Acceso Sur S,L,	4	54
Total	**4**	**54**

26. Segment reporting

- **Segmenting by lines of business**

Grupo Cooperativo Cajamar core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Group segment and manage its operations through different lines.

- **Geographical segmenting**

Similarly, the Parent Entity and other companies that make up the Cooperative Group carry out their activities almost entirely in Spain and the type of customer is similar throughout Spain, Therefore the Parent Entity considers that there is a single geographical segment for Grupo Cooperativo Cajamar entire operation.

27. Information regarding the deferral of payments to suppliers

Final Provision Two of Law 31/2014 (3 December) amending the Spanish Companies Act to improve corporate governance, amends Additional Provision Three of Law 15/2010 (5 July), which amended Law 3/2004 (29 December), on measures to combat late payment in commercial transactions, specifically requiring the inclusion of the average supplier payment period in the annual accounts. The provision authorises the Spanish Institute of Accounting and Auditing (“ICAC”) to stipulate, in a ruling, the adaptations necessary for companies to adequately apply the average supplier payment period calculation methodology. Accordingly, Article 1 of the ICAC Ruling of 26 January 2016 was issued to fulfil the mandate contained in Law 31/2014.

The Ruling repeals the immediately previous related ICAC Ruling of 29 December 2010, which derived from the former wording of Additional Provision Three of Law 15/2010 (4 July). The Ruling requests information on the average supplier payment period, specifying that the duty of information affects only commercial payment transactions and not creditors or suppliers in non-commercial transactions (e.g. fixed asset suppliers or finance lease creditors). Moreover, it provides the specific methodology for calculating the average supplier payment period and details the information to be reported.

For the purposes of adequately understanding the information set out herein, and in accordance with the provisions of applicable legislation, “suppliers” are understood to only be those suppliers of assets and services to the Group whose expense is primarily recognized in the heading “Other administration expenses” in the consolidated income statement. This Note therefore does not include information regarding payments for financial transactions that constitute the corporate purpose of the Group or asset suppliers that may exist which, in any case, have been made in accordance with the deadlines established in the relevant agreements and by current legislation.

The average supplier payment period must be calculated applying the criteria approved by the Ministry of Finance and Public Administrations, pursuant to Final Provision Two, subsection three of Organic Law 2/2012 (27 April) on budget stability and financial sustainability. According to the Sole Final Provision of the Resolution dated 29 January 2016, that Resolution will be applicable to the annual accounts for the years starting on or after 1 January 2015.

Accordingly, for the purpose of the Single Additional Provision of this Ruling, no comparative information is presented. Figures for total payments made, total payments pending, average supplier payment period, ratio of settled transactions and ratio of transactions pending payment, with respect to the Group's commercial transactions, are as follows:

	Days	
	2016	**2015**
Average payment period for suppliers	33,51	38,34
Ratio of transactions paid	33,51	38,34
Ratio of transactions pending payment	-	-

	Thousand euro	
	2015	**2015**
Total payments made	495,217	509,684
Total payments pending	-	-

28. Other information

Investment services

The details of investment and complementary services by instrument type, indicating the amount of securities and other managed financial instruments and the commissions recorded on the consolidated income statements, are as follows:

	Thousand euro	
2016	**Customer deposits**	**Commissions**
Brokerage services (products marketed by the Group)		
Investment funds	1,349,813	6,332
Pension funds and savings insurance	1,268,116	35,131
Total	**2,617,929**	**41,463**
Deposit of securities owned by third parties		
Subordinated debt	-	-
Equities and debt securities	2,325,618	2,034
Total	**2,325,618**	**2,034**

2015	Thousand euro Customer deposits	Commissions
Brokerage services (products marketed by the Group)		
Investment funds	906,049	4,435
Pension funds and savings insurance	1,200,052	30,599
Total	**2,106,101**	**35,034**
Deposit of securities owned by third parties		
Subordinated debt	-	-
Equities and debt securities	1,717,506	2,803
Total	**1,717,506**	**2,803**

External audit

The fees paid for the audit of the accounts and other services related to the Group, in 2016 and 2016, are as follows:

2016	Thousand euro			
Entity	**Audit fees**	**Audit fees**	**Other services**	**Total**
PricewaterhouseCoopers	1,173	114	397	1,684

2015	Thousand euro			
Entity	**Audit fees**	**Audit fees**	**Other services**	**Total**
PricewaterhouseCoopers	717	270	756	1,743

Abandoned balances and deposits

In accordance with the matters indicated in Article 18 of Law 33/2003 (3 November) on public institution finances, the balances and deposits at the Group, in its capacity as a financial institution, that have been abandoned in accordance with that Article, totalled €2 thousand in 2016 (€8 thousand in 2015).

Customer Service

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

In compliance with Law 44/2002 (22 November) on Measures to Reform the Financial System, the Customer Ombudsman Regulations for Financial Services approved by Royal Decree 303/2004 (20 February), Order ECO/734/2004 (11 March) on Customer Service Departments and Customer Ombudsman services at financial institutions and other applicable legislation, Grupo Cooperativo Cajamar has a specialised Customer Service Department, that is independent from other sales and operating areas to attend to and resolve complaints and claims that may be filed by Group customers with respect to their interests and legally recognised rights.

Adherent to the Service are all of the forming entities in Grupo Cooperativo Cajamar in Annex II to the Regulation of the Group´s Client Defense, which rules the performance of the Service and that was approved by the Governing Bodies of the parent entity by the agreement of June 24, 2015. This forming entities were all the ones that integrated the Group as at December 31, 2016.

Noteworthy is the number of proceedings initiated in 2016 amounting to 3,952, including 241 files with the Spanish Central Bank Claims Department and 5 with the Investor Services Office of the National Securities Market Commission. No complaints or claims have been filed with the Directorate General for Insurance and Pension Plans.

The distribution of proceedings initiated in respect of claims against entities was as follows: (i) Cajamar Caja Rural, 95%; (ii) Caixa Rural Torrent, 2%; (iii) Caixaltea, 1%; (iv) none against Banco de Credito Cooperativo, Caja Rural de Vilafames and Caixa Turis; and (v) 2% against the other 14 entities.

Continuing with that summary, noteworthy is the way in which such files were settled during the year: (i) 32% was in favour of the claimant; (ii) 61% of issues analysed were settled in favour of the entity; (iii) the Department issued no decision on the claims filed in 6% of cases and (iv) 1% of the clients gave up their claims in 2016.

Similarly noteworthy, following the classification laid down by the Spanish Central Bank in this respect, based on content matter: 35% of files settled related to deposit transactions, 38% to loans and advances, 8% to various products, 7.5% to other bank products, 6.5% to collection and payment services, 5% to insurance and pension funds and lastly, 1% to sinister 1% to investment services.

Finally, taking into account the reasons for claims also classified by the Spanish Central Bank, 34% of files settled by the Department affected fees and expenses, 24% interest, 11,5% discrepancies in entries, 6% the ex post service, 6% to various reasons, 6% other contractual clauses, 1% disagreement with the service ex ante, and lastly, 1% to data protection.

The decision criteria used by the Customer Service Department to resolve complaints and claims have been taken, mainly, for the criteria established by the Service and the result of claims made to the bodies supervising financial services, based on judgements regarding good practices and uses, the legislation that governs the transparency of banking operations and customer protection, and any other that is applicable to reach a correct and reasoned conclusion.

Directors' duty of loyalty

In accordance with the provisions of Article 229 of Law 31/2014 which amended the Spanish Companies Act 2010 in order to improve corporate governance and in order to enhance the transparency of trading companies, the Directors have reported to the company that during 2016, they and the persons related to them, as defined in Article 231 of the Spanish Companies Act 2010:

- Have not carried out transactions with the Group, not taking into account ordinary operations conducted under standard business conditions and of little relevance, being understood as those not requiring disclosure for the purposes of presenting fairly the equity, financial position and the results of the entity.
- Have not used the Group's name or invoked their status as directors to improperly influence the performance of private operations.
- Have not made use of corporate assets, including confidential company information for private purposes.
- Have not taken advantage of the Group's business opportunities.
- Have not obtained benefits or remuneration from parties other than the Group or its associates in the performance of their duties, excepting cases of mere courtesy.
- Have not performed activities on their own account or for others that involved effective competition, whether specific or potential, with the Group or which otherwise placed them in a situation of ongoing conflict with the Group's interests.

29. Subsequent events

Irrespective of the information set out above and in this report, from 31 December 2016 to 1 March 2017, the date on which these annual accounts are issued by the parent entity's Board of Directors, there were no significant events that must be included in the accompanying annual accounts in order for them to fairly reflect the Group's equity, financial situation, results, changes in equity and cash flows.

As at 8 March 2017 the Board of Directors of Banco de Crédito Social Cooperativo, S.A. approved a capital increase proposal amounts to €5,050 thousand. Once completed the legal requirements, the share capital will amount to €1,054,028 thousand.

Appendix I Breakdown of shareholdings at 31 December 2016

The details regarding the entities participating in the Group whose balance sheets and income statements are integrated using the full consolidation method are as follows:

				% shareholding		Thousand euro			
Company	Domicile	Activity	% Mutualization	direct	indirect	Carrying value	Activos	Equity	Profit for the year
Group Companies									
Cajamar Caja Rural, Soc. (a)	Plaza de Barcelona, 5. ALMERÍA	Sociedad Cooperativa de Crédito.	58.98%	-	-	-	40,389,606	2,658,333	49,063
Caixa Rural Albalat dels Sorells, C.C.V. (a)	C/ Padre Salvador, 11. Albalat dels Sorells. Valencia	Sociedad Cooperativa de Crédito.	0.10%	-	-	-	35,388	4,554	60
Caixa Rural Altea, S.C.C.V. (a)	Pasaje Llaurador, 1. Altea. Alicante	Sociedad Cooperativa de Crédito.	0.62%	-	-	-	242,130	27,527	335
Caixa Rural de Callosa de Sarria, C.C.V. (a)	Avda. Jaume I, 1. Callosa d'en Sarria. Alicante	Sociedad Cooperativa de Crédito.	0.39%	-	-	-	149,435	17,020	217
Caixa Rural de Turís, C.C.V. (a)	Plaza de la Constitución, 2. Turis. Valencia	Sociedad Cooperativa de Crédito.	0.16%	-	-	-	51,429	7,127	93
Caixa Rural Sant Josep de Vilavella, S.C.C.V. (a)	C/ Cova Santa, 11. La Vilavella. Castellón.	Sociedad Cooperativa de Crédito.	0.10%	-	-	-	52,992	4,412	58
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V. (a)	Plaza del Centro, 4. La Vall D'Uixo. Castellón.	Sociedad Cooperativa de Crédito.	0.17%	-	-	-	104,032	7,537	90
Caixa Rural Vila-Real, S.C.C. (a)	Plaza Mayor, 10. Villarreal. Castellón.	Sociedad Cooperativa de Crédito.	0.56%	-	-	-	372,365	25,074	298
Caja de Crédito de Petrel, Caja Rural, C.C.V. (a)	C/ San Bartolomé, 2. Petrer. Alicante	Sociedad Cooperativa de Crédito.	0.44%	-	-	-	171,904	19,700	155
Caja Rural de Alginet, S.C.C.V. (a)	C/ Valencia, 13. Alginet Valencia	Sociedad Cooperativa de Crédito.	0.18%	-	-	-	82,314	8,184	101
Caja Rural de Cheste, S.C.C. (a)	Plaza Doctor Cajal, 2. Cheste. Valencia	Sociedad Cooperativa de Crédito.	0.24%	-	-	-	104,548	10,748	129
Caja Rural de Torrent, S.C.C. (a)	Avda. Al Vedat, 3. Torrent. Valencia	Sociedad Cooperativa de Crédito.	1.07%	-	-	-	509,040	47,754	656
Caja Rural de Villar, C.C.V. (a)	C/ Las Cruces, 33. Villar del Arzobispo. Valencia	Sociedad Cooperativa de Crédito.	0.15%	-	-	-	68,230	6,775	71
Caja Rural la Junquera de Chilches, C.C.V. (a)	Plaza España, 6, Chilches. Castellón.	Sociedad Cooperativa de Crédito.	0.07%	-	-	-	28,003	3,103	37
Caja Rural San Isidro de Vilafamés, C.C.V. (a)	Avda. Barcelo, 6. Vilafames. Castellón.	Sociedad Cooperativa de Crédito.	0.06%	-	-	-	24,570	2,738	34
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V. (a)	C/ Jaime Chicharro, 24. Alquerias del Niño Perdido. Castellón.	Sociedad Cooperativa de Crédito.	0.28%	-	-	-	101,247	12,282	150
Caja Rural San Jose de Burriana, C.C.V. (a)	Plaza el Pla, 1. Burriana. Castellón.	Sociedad Cooperativa de Crédito.	0.50%	-	-	-	193,602	22,851	264
Caja Rural San José de Nules, S.C.C.V. (a)	C/ Mayor, 66. Nules. Castellón.	Sociedad Cooperativa de Crédito.	0.21%	-	-	-	135,747	9,520	130
Caja Rural San Roque de Almenara, S.C.C.V. (a)	C/ Doctor Berenguer, 4. ALMENARA Castellón.	Sociedad Cooperativa de Crédito.	0.08%	-	-	-	34,014	3,504	47
Alquileres Alameda 34, S.L.	Paseo Alameda, 34. Valencia	Real estate development		-	8.33%	1	72,624	67	54
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S.L.U. (a)	Plaza Barcelona, 5. ALMERÍA	Insurance intermediation		-	100.00%	60	8,534	281	41
Cimenta2 Gestión e Inversiones, S.A.U. (a)	Plaza Barcelona, 5. ALMERÍA	Real estate development		-	100.00%	1,365,624	2,009,076	1,365,715	(70,537)
Cimentados3, S.A.U. (a)	Plaza Barcelona, 5. ALMERÍA	Real estate development		100.00%	-	-	234,860	(18,840)	(18,900)
Eurovía Informática, A.I.E. (a)	Avda. De la Innovación, 1 (PITA). ALMERÍA	Rendering of management services.		99.00%	1.00%	3	491	3	-
Eurovía Tecnología S.L.U.	Avda. De la Innovación, 1 (PITA). ALMERÍA	Computer softw are consulting and computer supplies		-	100.00%	12	35	14	(11)
Giesmed Parking, S.L.U.	Paseo Alameda, 34. Valencia	Parking management		-	100.00%	-	9,879	21	153
Hotel Envia Golf, S.L. (a)	Avda. de la Envía, 45. Vicar. ALMERÍA	Promociones en la Envia Golf y las Salinas.		-	100.00%	1,585	13,277	1,585	(576)
Inmuebles Alameda 34, S.L.	Paseo Alameda, 34. Valencia	Real estate development		-	4.62%	-	105,339	99	4
Parque Industrial Acceso Sur S.L.	C/ Gasset, 1. Castellón.	Real estate development		-	70.00%	1,270	10,262	1,812	14
Sunaria Capital, S.L.U. (a)	Avd. Montserrat Edif. Brisas portal 7, 1ª planta. ALMERÍA	Holding of shares		100.00%	-	9,155	10,414	9,158	(646)
Talia Formación S.L.U.	Avda. De la Innovación, 1 (PITA). ALMERÍA	HR Advisory services and consulting		-	100.00%	41	160	123	13
Tarket Gestión, A.I.E. (a)	Avda. De la Innovación, 1 (PITA). ALMERÍA	Rendering of general services		98.00%	2.00%	3	360	3	-
						1,377,755	**45,325,907**	**4,258,782**	**(38,403)**

Details regarding jointly controlled and associates entities accounted for by the equity method at 31 December 2016 are as follows:

Company	Domicile	Activity		% shareholding		Thousand euro			
				direct	indirect	Carrying value	Activos	Equity	Profit for the year
Associated companies									
Agrocolor. S.L.	Carretera de Ronda. 11-BJ. ALMERÍA	Agro-food quality certificates	-	-	32.37%	18	3,004	2,008	250
Apartamentos Media Luna. S.A.	C/ Maria Guerrero. 15. 1º . ALMERÍA	Real estate development	-	-	50.00%	16,146	14,050	4,189	610
Balsa de Insa. S.L.	C/ de la Lluna. 3. Castellón.	Real estate development	-	-	24.50%	-	3,242	138	(4)
Biocolor. S.L.	Carretera de Ronda . 11. 1º. ALMERÍA	Pest control	-	-	22.19%	254	3,904	1,246	102
Cajamar Seguros Generales. S.A. de Seguros y Reaseguros (b)	Plaza Barcelona. 5. ALMERÍA	Insurance activity	-	50.00%	-	6,605	804,537	85,690	34,983
Cajamar Vida. S.A. de Seguros y Reaseguros (b)	Plaza Barcelona. 5. ALMERÍA	Insurance activity	-	50.00%	-	33,732	67,084	16,962	3,476
Cultipeix S.L. (e)	Camino Etxebarria. s/n. Castellón.	Aquaculture activities	-	-	21.28%	-	22,530	(4,933)	(11,549)
GCC Consumo Establecimiento Financiero de Crédito. S.A. (c)	Calle Panamá. nº 3 Madrid	Leasing company	-	49.00%	-	20,273	175,654	41,445	(7,255)
Habitat Utiel. S.L.	C/ Pascual y Genil. 17. Valencia	Real estate development	-	-	25.00%	2	383	3	-
Murcia emprende S.C.R.. S.A. (d)	C/ Alfaro. 1. Murcia.	Venture capital investments	-	-	22.06%	1,054	4,728	4,709	(253)
Occidental Arroyomolinos. S.L.	C/ Princesa. 3 Duplicado. 1ª planta. Apartamento 113. Madrid	Real estate development	-	-	25.00%	-	21,086	(56,331)	(2,246)
Parque Científico- Tecnológico de Almería. S.A. (a)	Avda. De la Innovación. 15. Edf Pitágoras (PITA). ALMERÍA	Management of commercial premises	-	-	30.08%	7,461	10,262	1,812	14
Proyecta Ingenio. S.L.	C/ Jesus Durbán Remón. 2. 1º. ALMERÍA	Agrarian procedures and quality advisory services	-	-	24.90%	-	559	91	23
Renovables la Unió. S.C.P.	C/ Mar.22. Valencia	New technologies	-	-	40.00%	84	210	210	-
Sabinal Agroservicios. S.L.	Carretera de Ronda . 11. 1º. ALMERÍA	Services for agrarian cooperatives	-	-	50.00%	23	47	47	-
Solaes Fruits. S.L.	Avda. Castello. 75. Castellón.	Fruit and vegetable wholesaler	-	-	25.00%	-	138	(268)	5
Tino Stone Group. S.A. (e)	Pol. Ind. Rubira Sola. s/n. Macael. ALMERÍA	Construction services	-	-	24.96%	-	48,909	(62,350)	(48,820)
						85,653	**1,180,329**	**34,667**	**(30,664)**

(a) Company audited by PriceWaterhouse Coopers Auditores. S.L.
(b) Company audited by Ernst & Young. S.L.
(c) Company audited by Mazars Auditores S.L.P.
(d) Company audited by Deloitte Auditores. S.L.
(e) Company being wound up and liquidate.

Appendix I Breakdown of shareholdings at 31 December 2015

The details regarding the entities participating in the Group whose balance sheets and income statements are integrated using the full consolidation method are as follows:

				% shareholding		Thousand euro			
Company	**Domicile**	**Activity**	**% Mutualization**	**direct**	**indirect**	**Carrying value**	**Activos**	**Equity**	**Profit for the year**
Group Companies									
Cajamar Caja Rural, Soc, (a)	Plaza de Barcelona, 5, ALMERÍA	Sociedad Cooperativa de Crédito,	58.88%	-	-	-	37,273,064	2,542,719	46,848
Caixa Rural Albalat dels Sorells, C,C,V, (a)	C/ Padre Salvador, 11, Albalat dels Sorells, Valencia	Sociedad Cooperativa de Crédito,	0.10%	-	-	-	35,178	4,438	67
Caixa Rural Altea, S,C,C,V, (a)	Pasaje Llaurador, 1, Altea, Alicante	Sociedad Cooperativa de Crédito,	0.62%	-	-	-	233,627	26,799	373
Caixa Rural de Callosa de Sarria, C,C,V, (a)	Avda, Jaume I, 1, Callosa d'en Sarria, Alicante	Sociedad Cooperativa de Crédito,	0.37%	-	-	-	148,392	16,132	273
Caixa Rural de Turís, C,C,V, (a)	Plaza de la Constitución, 2, Turis, Valencia	Sociedad Cooperativa de Crédito,	0.16%	-	-	-	48,609	6,910	112
Caixa Rural Sant Josep de Vilavella, S,C,C,V, (a)	C/ Cova Santa, 11, La Vilavella, Castellón,	Sociedad Cooperativa de Crédito,	0.10%	-	-	-	52,783	4,311	55
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S,C,C,V, (a)	Plaza del Centro, 4, La Vall D'Uixo, Castellón,	Sociedad Cooperativa de Crédito,	0.17%	-	-	-	104,419	7,157	116
Caixa Rural Vila-Real, S,C,C, (a)	Plaza Mayor, 10, Villarreal, Castellón,	Sociedad Cooperativa de Crédito,	0.55%	-	-	-	339,000	23,733	357
Caja de Crédito de Petrel, Caja Rural, C,C,V, (a)	C/ San Bartolomé, 2, Petrer, Alicante	Sociedad Cooperativa de Crédito,	0.45%	-	-	-	164,038	19,241	239
Caja Rural de Alginet, S,C,C,V, (a)	C/ Valencia, 13, Alginet Valencia	Sociedad Cooperativa de Crédito,	0.18%	-	-	28	80,408	7,789	118
Caja Rural de Cheste, S,C,C, (a)	Plaza Doctor Cajal, 2, Cheste, Valencia	Sociedad Cooperativa de Crédito,	0.24%	-	-	-	104,408	10,395	129
Caja Rural de Torrent, S,C,C, (a)	Avda, Al Vedat, 3, Torrent, Valencia	Sociedad Cooperativa de Crédito,	1.07%	-	-	-	506,846	46,246	780
Caja Rural de Villar, C,C,V, (a)	C/ Las Cruces, 33, Villar del Arzobispo, Valencia	Sociedad Cooperativa de Crédito,	0.15%	-	-	-	64,968	6,529	91
Caja Rural la Junquera de Chilches, C,C,V, (a)	Plaza España, 6, Chilches, Castellón,	Sociedad Cooperativa de Crédito,	0.07%	-	-	-	27,509	2,835	26
Caja Rural San Isidro de Vilafamés, C,C,V, (a)	Avda, Barcelo, 6, Vilafames, Castellón,	Sociedad Cooperativa de Crédito,	0.06%	-	-	-	25,466	2,702	27
Caja Rural San Jaime de Alquerias Niño Perdido, C,C,V, (a)	C/ Jaime Chicharro, 24, Alquerias del Niño Perdido, Castellón,	Sociedad Cooperativa de Crédito,	0.27%	-	-	-	99,591	11,960	171
Caja Rural San Jose de Burriana, C,C,V, (a)	Plaza el Pla, 1, Burriana, Castellón,	Sociedad Cooperativa de Crédito,	0.51%	-	-	-	195,131	22,335	363
Caja Rural San José de Nules, S,C,C,V, (a)	C/ Mayor, 66, Nules, Castellón,	Sociedad Cooperativa de Crédito,	0.22%	-	-	-	130,258	9,329	157
Caja Rural San Roque de Almenara, S,C,C,V, (a)	C/ Doctor Berenguer, 4, ALMENARA Castellón,	Sociedad Cooperativa de Crédito,	0.08%	-	-	-	32,822	3,322	33
Alquileres Alameda 34, S,L, (a)	Paseo Alameda, 34, Valencia	Real estate development	-	-	8.33%	1	81,430	13	(13)
Cajamar Intermediadora Operadora de Banca Seguros Vinculado, S,L,U, (a)	Plaza Barcelona, 5, ALMERÍA	Insurance intermediation	-	-	100.00%	60	8,240	385	155
Cimenta2 Gestión e Inversiones, S,A,U, (a)	Plaza Barcelona, 5, ALMERÍA	Real estate development	-	-	100.00%	-	1,516,795	(73,749)	(112,179)
Cimenta3, S,A,U,	Plaza Barcelona, 5, ALMERÍA	Real estate development	-	100.00%	-	60	-	-	-
Eurovía Informática, A,I,E, (a)	Avda, De la Innovación, 1 (PITA), ALMERÍA	Rendering of management services,	-	99.00%	1.00%	3	389	3	-
Eurovía Tecnología S,L,U, (a)	Avda, De la Innovación, 1 (PITA), ALMERÍA	Computer software consulting and computer supplie:	-	-	100.00%	12	42	25	(20)
Giesmed Parking, S,L,U, (a)	Paseo Alameda, 34, Valencia	Parking management	-	-	100.00%	-	11,404	(131)	(14)
Hotel Envia Golf, S,L, (a)	Avda, de la Envía, 45, Vicar, ALMERÍA	Promociones en la Envia Golf y las Salinas,	-	-	100.00%	2,161	13,536	2,161	(484)
Inmuebles Alameda 34, S,L, (a)	Paseo Alameda, 34, Valencia	Real estate development	-	-	4.62%	3	107,625	95	5
Parque Industrial Acceso Sur S,L,	C/ Gasset, 1, Castellón,	Real estate development	-	-	70.00%	1,252	10,635	1,802	(180)
Sunaria Capital, S,L,U, (a)	Avd, Montserrat Edif, Brisas portal 7, 1ª planta, ALMERÍA	Holding of shares	-	100.00%	-	9,770	11,533	10,874	1,073
Talia Formación S,L,U, (a)	Avda, De la Innovación, 1 (PITA), ALMERÍA	HR Advisory services and consulting	-	-	100.00%	41	204	110	(6)
Tarket Gestión, A,I,E, (a)	Avda, De la Innovación, 1 (PITA), ALMERÍA	Rendering of general services	-	98.00%	2.00%	3	282	3	-
						13,395	**41,428,630**	**2,716,474**	**(61,328)**

Details regarding jointly controlled and associates entities accounted for by the equity method at 31 December 2015 are as follows:

				% shareholding		Thousand euro			
Company	Domicile	Activity	% Mutualization	direct	indirect	Carrying value	Activos	Equity	Profit for the year
Multigroup companies									
Safei Rural Málaga, S,A, (e)	Plaza de la Marina, 1, Málaga	Financial brokerage services	-	-	50.00%	-	19	14	(17)
						-	**19**	**14**	**(17)**
(e) Dormant									
Associated companies									
Acuariums de Almería, S,L,	Avda, Reino de España s/n, Roquetas de Mar, ALMERÍA	Aquarium operation	-	-	25.00%	-	3,277	(588)	(514)
Agrocolor, S,L,	Carretera de Ronda, 11-BJ, ALMERÍA	Agro-food quality certificates	-	-	32.37%	18	2,935	1,878	132
Apartamentos Media Luna, S,A,	C/ Maria Guerrero, 15, 1º , ALMERÍA	Real estate development	-	-	50.00%	16,146	14,278	3,599	1,028
Balsa de Insa, S,L,	C/ de la Lluna, 3, Castellón,	Real estate development	-	-	24.50%	-	3,242	138	(4)
Biocolor, S,L,	Carretera de Ronda , 11, 1º, ALMERÍA	Pest control	-	-	22.19%	195	3,563	1,132	(6)
Cajamar Seguros Generales, S,A, de Seguros y Reaseguros (b)	Plaza Barcelona, 5, ALMERÍA	Insurance activity	-	50.00%	-	6,605	55,234	13,286	1,907
Cajamar Vida, S,A, de Seguros y Reaseguros (b)	Plaza Barcelona, 5, ALMERÍA	Insurance activity	-	50.00%	-	33,732	705,321	77,660	32,818
Cultipeix S,L, (c)	Camino Etxebarria, s/n, Castellón,	Aquaculture activities	-	-	21.28%	-	22,530	(4,933)	(11,549)
Habitat Utiel, S,L,	C/ Pascual y Genil, 17, Valencia	Real estate development	-	-	25.00%	2	383	3	-
Murcia emprende S,C,R,, S,A, (d)	C/ Alfaro, 1, Murcia,	Venture capital investments	-	-	25.00%	1,095	5,182	4,361	(183)
Occidental Arroyomolinos, S,L,	C/ Princesa, 3 Duplicado, 1ª planta, Apartamento 113, Madrid	Real estate development	-	-	25.00%	-	21,092	663	(776)
Parque Científico- Tecnológico de Almería, S,A, (a)	Avda, De la Innovación, 15, Edf Pitágoras (PITA), ALMERÍA	Management of commercial premises	-	-	29.87%	6,056	53,221	18,741	(1,810)
Proyecta Ingenio, S,L,	C/ Jesus Durbán Remón, 2, 1º, ALMERÍA	Agrarian procedures and quality advisory services	-	-	24.90%	15	441	72	(14)
Renovables la Unió, S,C,P,	C/ Mar,22, Valencia	New technologies	-	-	40.00%	84	260	260	-
Sabinal Agroservicios, S,L,	Carretera de Ronda , 11, 1º, ALMERÍA	Services for agrarian cooperatives	-	-	50.00%	24	47	47	-
Solaes Fruits, S,L,	Avda, Castello, 75, Castellón,	Fruit and vegetable w holesaler	-	-	25.00%	-	231	(143)	(58)
Tino Stone Group, S,A, (c)	Pol, Ind, Rubira Sola, s/n, Macael, ALMERÍA	Construction services	-	-	24.96%	-	48,909	(62,350)	(48,820)
						63,972	**940,147**	**53,826**	**(27,848)**

Appendix II Details of branches by geographic area

Province	No. of Cooperative Group 2016	No. of Cooperative Group 2015
Andalucía	**322**	**346**
Almería	156	171
Cádiz	11	11
Cordoba	6	6
Granada	22	22
Huelva	5	5
Jaén	6	5
Málaga	110	120
Seville	6	6
Aragón	**1**	**1**
Zaragoza	1	1
ASTURIAS	**1**	**1**
BALEARIC ISLANDS	**24**	**26**
CANARY ISLANDS	**61**	**67**
Las Palmas	44	49
Santa Cruz de Tenerife	17	18
Cantabria	**2**	**2**
CASTILLA LA MANCHA	**20**	**19**
Albacete	8	7
Ciudad Real	4	2
Cuenca	6	8
Guadalajara	1	1
Toledo	1	1
CASTILLA LEÓN	**85**	**85**
Avilés	6	6
Burgos	3	3
León	10	10
Palencia	16	16
Salamanca	2	2
Segovia	2	2
Soria	1	1
Valladolid	42	42
Zamora	3	3
Cataluña	**39**	**41**
Barcelona	29	32
Gerona	3	2
Lérida	1	1
Tarragona	6	6
Regional Government of Valencia	**425**	**452**
Alicante	102	108
Castellón	84	90
Valencia	239	254
Extremadura	**1**	**-**
(Badajoz)	1	-
Galicia	**3**	**3**
A Coruña	2	2
Ourense	1	1
La Rioja	**2**	**2**
MADRID	**36**	**36**
Murcia	**163**	**170**
Navarra	**4**	**4**
Ceuta	**1**	**1**
Melilla	**1**	**1**
	1,191	**1,257**

Appendix III Details of financial agents by geographic area

1. **List of authorised persons in accordance with section 1 of** Spanish Central Bank Circular 4/2010 (30 July) for credit institutions and agreements concluded for the habitual rendering of financial services:

Province	Name	Area of operation	Date of power-of-attorney
ALMERÍA			
	Mr. JOSÉ ANTONIO GODOY GARCÍA	Fondón	04/03/2013
	Mr. JOSÉ MARTÍNEZ CARMONA	Paterna del Río and Bayárcal	04/03/2013
	Mr. JOSÉ LUIS MATARÍN GUIL	Alboloduy, Santa Cruz de Marchena, Alsodux and Alhabia	04/03/2013
	Mr. FRANCISCO ORTA TORRES	Instinción and Rágol	04/03/2013
	Mrs. DOLORES RUBIO ALMANSA	Benizalón, Benitagla and Alcudia de Monteagud	04/03/2013
	Mr. CECILIO SOLBAS MARTÍNEZ	Terque and Bentarique	04/03/2013
	Mrs. NATALIA GARCIA YESTE	Alcolea	20/01/2016
	Mr. EMILIO MANUEL VEGA LOPEZ	Ohanes and Padules	20/01/2016
	Mr. MIGUEL MAÑAS CABEZAS	Uleila del Campo and Lucainena de las Torres	28/09/2016
Málaga			
	Mrs. RAQUEL BERBEL CAPILLA	Alcaucín	04/03/2013
	Mrs. MARÍA CONCEPCIÓN RAMOS PASCUAL	Iznate	04/03/2013
	Mrs. CARMEN SOTO HERNÁNDEZ	Totalán	04/03/2013
	Mr. ADRIANO VELA GÓMEZ	El Borge	04/03/2013
Castellón			
	Mr. CARLOS RODRIGO BALMES	Catí and Salsadella	28/09/2016
Valencia			
	Mr. VICENTE LUIS PARRA MARTINEZ	Jarafuel	28/09/2016
Cuenca			
	Mr. DANIEL LLORIA MARTINEZ	Aliaguilla and Talayuelas	28/09/2016

2. **List of authorised persons to recruit customers or the promotion and marketing of transactions and services in accordance with section 2** of Spanish Central Bank Circular 4/2010 (30 July) for credit institutions and agreements concluded for the habitual rendering of financial services:

   At the end of 2016 the Group did not maintain agreements with persons designated to recruit customers or to promote and market operations and services.

Appendix IV Details on the main figures of the financial entities of the Group at 31 December 2016

	Thousand euro							
Group Companies	**Assets**	**Liabilities**	**Equity**	**Interest Margin**	**Gross Margin**	**Operating Profit**	**Profit/(Loss) before income tax**	**Profit/(loss) for the year**
Cajamar Cara Rural, S.C.C	40,389,606	37,731,273	2,658,333	486,437	859,411	208,507	41,304	49,063
Caja Rural de Torrent, S.C.C.	509,040	461,287	47,754	6,313	4,237	1,417	721	656
Caixa Rural Vila-Real, S.C.C.	372,365	347,292	25,074	4,321	7,551	685	371	298
Caixa Rural Altea, S.C.C.V.	242,130	214,603	27,527	4,585	9,732	476	421	335
Caja Rural San Jose de Burriana, C.C.V.	193,602	170,751	22,851	1,860	2,273	478	347	264
Caja Rural San José de Nules, S.C.C.V.	135,747	126,227	9,520	1,624	2,443	382	148	130
Caixa Rural de Callosa de Sarria, C.C.V.	149,435	132,415	17,020	3,184	4,635	578	255	217
Caja de Crédito de Petrel, Caja Rural, C.C.V.	171,904	152,204	19,700	2,153	3,031	368	310	155
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	104,032	96,496	7,537	1,980	5,308	132	112	90
Caja Rural de Cheste, S.C.C.	104,548	93,800	10,748	1,468	1,417	185	163	129
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	101,247	88,965	12,282	1,391	3,352	207	190	150
Caja Rural de Alginet, S.C.C.V.	82,314	74,130	8,184	1,816	1,403	165	123	101
Caja Rural de Villar, C.C.V.	68,230	61,455	6,775	865	1,125	106	104	71
Caixa Rural de Turís, C.C.V.	51,429	44,303	7,127	789	214	119	107	93
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	52,992	48,580	4,412	550	396	70	68	58
Caixa Rural Albalat dels Sorells, C.C.V.	35,388	30,834	4,554	635	911	135	69	60
Caja Rural San Roque de Almenara, S.C.C.V.	34,014	30,510	3,504	526	716	122	51	47
Caja Rural San Isidro de Vilafamés, C.C.V.	24,570	21,831	2,738	129	476	42	42	34
Caja Rural la Junquera de Chilches, C.C.V.	28,003	24,900	3,103	443	1,090	46	46	37

Appendix IV Details on the main figures of the financial entities of the Group at 31 December 2015

	Thousand euro							
Group Companies	**Assets**	**Liabilities**	**Equity**	**Interest Margin**	**Gross Margin**	**Operating Profit**	**Profit/(Loss) before income tax**	**Profit/(loss) for the year**
Cajamar Caja Rural, Soc.	37,273,064	34,730,345	2,542,719	496,186	842,690	125,151	49,399	46,848
Caja Rural de Torrent, S.C.C.	506,846	460,601	46,246	7,706	12,213	1,889	955	780
Caixa Rural Vila-Real, S.C.C.	339,000	315,267	23,733	4,257	13,852	879	388	357
Caixa Rural Altea, S.C.C.V.	233,627	206,828	26,799	5,443	6,094	318	476	373
Caja Rural San Jose de Burriana, C.C.V.	195,131	172,796	22,335	2,492	3,252	598	364	363
Caja Rural San José de Nules, S.C.C.V.	130,258	120,929	9,329	1,787	7,574	608	139	157
Caixa Rural de Callosa de Sarria, C.C.V.	148,392	132,260	16,132	3,181	3,850	322	309	273
Caja de Crédito de Petrel, Caja Rural, C.C.V.	164,038	144,797	19,241	2,382	3,237	338	293	239
Caixa Rural Sant Vicent Ferrer de la Vall D'Uixo, S.C.C.V.	104,419	97,262	7,157	2,320	3,411	341	142	116
Caja Rural de Cheste, S.C.C.	104,408	94,013	10,395	1,507	986	309	168	129
Caja Rural San Jaime de Alquerias Niño Perdido, C.C.V.	99,591	87,632	11,960	1,515	3,467	418	207	171
Caja Rural de Alginet, S.C.C.V.	80,408	72,619	7,789	1,612	1,764	147	159	118
Caja Rural de Villar, C.C.V.	64,968	58,439	6,529	924	1,138	123	129	91
Caixa Rural de Turís, C.C.V.	48,609	41,699	6,910	902	1,251	182	141	112
Caixa Rural Sant Josep de Vilavella, S.C.C.V.	52,783	48,471	4,311	728	721	70	78	55
Caixa Rural Albalat dels Sorells, C.C.V.	35,178	30,740	4,438	680	756	90	79	67
Caja Rural San Roque de Almenara, S.C.C.V.	32,822	29,499	3,322	556	680	90	51	33
Caja Rural San Isidro de Vilafamés, C.C.V.	25,466	22,764	2,702	200	336	34	37	27
Caja Rural la Junquera de Chilches, C.C.V.	27,509	24,674	2,835	588	800	40	42	26

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES OF CAJAMAR GROUP
(GRUPO COOPERATIVO CAJAMAR)

Banking Annual Report

(Year 2016)

General Information

This report is drawn up in compliance with Article 87 of Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions. In accordance with said Law, credit institutions are required to report to the Spanish Central Bank and publish annually, specifying for the countries in which they are established, the following consolidated information:

a) Name, nature and geographical location of the activity
b) Business volume
c) Number of full time employees
d) Gross income before taxes.
e) Corporate income tax
f) Grants or public aid received.

a) Name, nature and geographical location of the activity

Note 1 to Cajamar Group consolidated annual accounts for 2015 describes the Entity's nature, objects and registered office. The most relevant aspects of that information are set out below.

a.1) Nature of the entity

The parent entity of the Grupo Cooperativo Cajamar is Banco de Crédito Social Cooperativo, S.A. Grupo Cooperativo Cajamar has replaced and is the continuation of the former Cajas Rurales Unidas Cooperative Group which was headed by Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. The Spanish Central Bank Executive Committee agreed to consider the Group as a consolidating group of credit institutions and also classified the agreement between Banco de Crédito Social Cooperativo, S.A. and the rural savings banks involved as an Institutional Protection System (IPS).

Banco de Crédito Social Cooperativo, S.A. is a duly registered private bank governed by the regulations governing credit institutions and private banking. On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. Its registered office is in Paseo de la Castellana 87, 28046 Madrid.

Banco de Crédito Social Cooperativo, S.A. was incorporated by the 32 founding shareholders in 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco on 28 January 2014 under number 293 of his record, entered in the Madrid Mercantile Register in Volume 31,884, Folio 131, Page M-573805, entry 1 on 10 February 2014. The shareholders that granted the deed were authorised by the Spanish Central Bank under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995.

The Bank is governed mainly by Law 10/2014, of June 26, on the Ordinance, Supervision and Solvency of Credit Institutions (BOE of 156 of June 27, 2014), as well as by Royal Decree 84/2015, of February 13, which develops Law 10/2014, of June 26, on the management, supervision and solvency of credit institutions.

Grupo Cooperativo Cajamar

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

In the event that the parent entity of the Group is not a cooperative society, the general commitments undertaken vis-à-vis the Group must be formalised in a notarised contact.

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

On the basis of the relevant legislation and the above considerations, on 25 February 2014, by means of the Regulating Contract for the Grupo Cooperativo Cajamar ("the Regulating Contract"), the Grupo Cooperativo Cajamar was set up with the legal form of a cooperative group, in order to strengthen the member entities and enable balance sheets to be consolidated and business strategies, management policies and risk control, solvency and liquidity to be pooled.

The Spanish Central Bank's Executive Committee agreed to consider the Grupo Cooperativo Cajamar as a consolidable group of credit institutions and also classified the agreement between Banco de Crédito Social Cooperativo, S.A. and the rural savings banks involved as an Institutional Protection System (IPS).

The Grupo Cooperativo Cajamar has replaced and continued with the business of the former Cajas Rurales Unidas Cooperative Group to which all the signatory entities of the Group's s Regulating Contract belonged ("Member Entities"), except for Banco de Crédito Social Cooperativo, S.A. ("parent entity" or "the Bank").

The contractual agreements concluded among all the members of Grupo Cooperativo Cajamar state that the Group's parent entity is Banco de Crédito Social Cooperativo, S.A. and therefore its Board of Directors is the Group's maximum decision taking body, which entails the senior management and supervision of the Group's activities. The following powers are assigned to it on an exclusive basis: strategic management, external representation, internal coordination, issuance of equity instruments, establishment of risk policies and regulations, control and audit, cash management and coverage of the minimum capital ratio, approval of business plans, defining of commercial, pricing and distribution policies, geographical expansion policy, determination of technological and information platforms, personnel policy, determination of the remuneration framework for capital contributions by the savings banks to the Group and the determination of the distribution and application of profits.

The Regulating Contract stipulates the rights and obligations of the member entities and the competencies delegated to them in the parent entity, Banco de Crédito Social Cooperativo, S.A., waiving their own decision-taking powers in the Bank's favour to ensure the existence of a single decision-taking unit. As Banco de Crédito Social Cooperativo, S.A. oversees and manages the Group's policies, its instructions are mandatory for all investee companies in the Cooperative Group.

Under said Regulating Contract, and also in accordance with the requirements laid down in Circular 3/2008, solvency commitments are established which are reciprocal, direct and unconditional, in order to avoid situations of bankruptcy and assess the Group's capital needs on a common basis and set a solvency objective which all member entities undertake to attain, establishing a capitalisation plan and/or assistance plans which are mandatory for all Group entities, in the event that any of them should suffer a shortfall in resources within the context of the agreed objective.

Likewise, a liquidity commitment is contemplated in the Regulatory Contract, and in the event of any shortfall in any of the member entities, a Liquidity Plan and financial assistance plans for the return to normality.

In accordance with the regulations on which the Regulating Agreement is based, all these commitments, as well as the mutualisation of results, do not prevent each of the Member Entities from maintaining its own full legal personality, autonomous management, administration and governance (barring matters specifically delegated to the Group's parent entity), governing and management bodies, workforce and labour relations framework, image and management of its Education and Promotion Fund.

Additionally, Banco de Crédito Social Cooperativo, S.A., based on the content of the Regulating Agreement, is responsible for overseeing the solvency and liquidity of the Group and of each of the Member Entities, as well as for agreeing on measures to be adopted in the event that a Member Entity is experiencing solvency difficulties. Consequently, Banco de Crédito Social Cooperativo, S.A.'s Board of Directors will execute bindings instructions designed to assure the solvency and liquidity of the Group and its Member Entities, if so required by the Bank of Spain pursuant to the final paragraph of Article 26.7 of Royal Decree 216/2008 or the regulations whereby it is enabled or superseded.

The entities that belong to Grupo Cooperativo Cajamar, as participants, and their dates of inclusion in the Group as approved by their respective General Assemblies, as well as the dates of authorisation for such membership by the Spanish Central Bank's Executive Committee, are as follows:

Entity	Assembly Celebration Date	Spanish Central Bank Approval Date
Banco de Crédito Social Cooperativo, S.A	28/01/2014	06/06/2014
Cajas Rurales Unidas, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caixa Rural Altea, Cooperativa de Credit Valenciana	27/11/2013	06/06/2014
Caja Rural San José de Burriana, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural de Callosa d´En Sarriá, Cooperativa de Crédito Valenciana	28/11/2013	06/06/2014
Caixa Rural San José de Nules, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	28/11/2013	06/06/2014
Caja Rural de Alginet, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Jaime De Alquerías Niño Perdido, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural de Villar, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural San Josep de Vilavella, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Roque de Almenara, S. Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural La Junquera de Chilches, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural San Isidro de Vilafamés, Coop. de Crédito V.	28/11/2013	06/06/2014
Caja Rural Católico Agraria, Coop. de Crédito V.	28/11/2013	06/06/2014
Caixa Rural Sant Vicente Ferrer de la Vall D´Uixo, S. Coop. de Crédit V.	28/11/2013	06/06/2014
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/11/2013	06/06/2014
Caixa Rural de Turís, Cooperativa de Crédito Valenciana.	28/11/2013	06/06/2014
Caixa Rural Albalat Dels Sorells, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014
Caixa Rural de Torrent, Cooperativa de Crédit Valenciana	28/11/2013	06/06/2014

a.2) Objects:

The Group's corporate objects are to engage in all kinds of activities, operations and services in the banking business in general, which are in accordance with applicable law, including the provision of investment services and ancillary services, in the terms laid down in Securities Market regulations.

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

a.3) Registered office and geographical location of the activity

The registered office of the parent entity of the Cooperative Group is located in Paseo de la Castellana 87, 28046 Madrid, Spain, and it may establish branches, agencies and representative offices anywhere in Spanish territory and abroad, in accordance with applicable legislation.

Appendix II to the consolidated annual accounts for 2016 details branches by geographical location.

b) Business volume

At 31 December 2016, the business volume of Grupo Cooperativo Cajamar amounted to €1,013.37 million. All of its activity takes place in Spanish territory and therefore the entire Group's business is restricted to a single geographical segment.

For the purposes of this report, business volume is regarded as gross income, as defined and presented in the Group's consolidated annual accounts at 31 December 2016.

At 31 December 2016, the net return on the Group's assets was 0.19%, understood as the ratio of net profit after tax (€76.14 million) to total assets (€39,166.08 million).

c) Number of full time employees.

At 31 December 2016 there were 6,460 full-time employees all working within Spanish national territory.

d) Gross profit / (loss) before taxes.

At 31 December 2016, the Group recorded a gross loss before taxes of €62 million.

e) Income tax.

Taxes refundable recorded by the Group at 31 December 2016 amounted to €14.13 million. Applying this figure and the expense arising from mandatory contributions to the Cooperative Promotion Fund, the Group made a net profit after tax of €76.14 million.

f) Grants and public aids received.

At 31 December 2016 the Group has not received grants and/or specific public aid or aid related to banking. Certain insignificant grants related to continuous personnel training have been received.

**BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
AND ENTITIES OF CAJAMAR GROUP
(GRUPO COOPERATIVO CAJAMAR)**

Consolidated Directors' Report

(Year 2016)

Macroeconomic Environment

- According to the latest published data of the quarterly national accounts of Spain for the third quarter, the Spanish economy continues its path of positive quarter-on-quarter GDP growth, above the average of the European Union and the Eurozone, being the third quarter And is expected to be 0.7% in the fourth quarter, compared to 0.8% in the first and second quarters of the year.

- GDP recorded year-on-year growth of 3.2% in the third quarter, 2% lower than in the last quarters due to the lower contribution of domestic demand, with a slight improvement in external demand, although it is still the driving force behind Spanish economy. The data for the last quarter of the year point to a growth of 3.2% in the year as a whole, as in 2015, as already indicated by the forecasts by the Bank of Spain, the government and other economic analysts, to Despite the political instability in Spain and the uncertainty of the implications of Brexit.

- The Government estimates a growth of 2.5% and 2.4%, respectively, in 2017 and 2018, respectively, a sustained pace of the economy, although more moderate than in 2016, based on an increase in disposable income of families, Price moderation, job creation and improved financing conditions.

- The CPI at December finally has an annual variation of 1.6% (0.0% in December 2015), 9 tenths higher than the month of November, a rate that was not seen since 2013, after being the first eight months Of the year in negative rates, contributing to this improvement mainly transport, housing, leisure and culture, and food and non-alcoholic beverages, due to rising prices of fuels, electricity, fresh vegetables and package tours. The Harmonized Price Index (IPCA) puts its annual variation at 1.4% (-0.1% in 2015).

- The number of members of Social Security reached 17.8 million after accelerating its annual growth rate to 540,655 employed (533,186 in 2015), for the third consecutive year since 2007, thanks mainly to the increase of 3.64% in the General Scheme And 0.83% of the Special Scheme for Self-Employed Workers. By sectors of activity, all show positive growth, especially by boosting services with 3.40% (443,061 workers, construction and industry.

- For its part, the total number of unemployed stood at 3,702,974 people at the end of 2016, representing a fall in unemployment for the year as a whole of 390,534 people, -9.54%, a rate higher than -7 , 96% in 2015 or -5.39% in 2014, all sectors of economic activity contributing. In the last 4 years, unemployment has fallen by more than 1 million people. According to data from the Labor Force Survey (EPA), the unemployment rate stands at 18.63%, -2.26pp. Less than a year ago.

- The 12-month Euribor starts its negative-rate path in February until 2016 at -0.08%, 14 bps. Lower than December 2015. Meanwhile, the Euribor 3 months reaches the end of the year -0.32 compared to -0.13% 12 months ago.

- The ECB in February reduced, after 17 months of stability, interest rates 5 bp. To leave them at a historic low of 0.0%, given the weakening of prices and in order to stimulate economic growth, in turn, extending its debt purchase program until 2017. In contrast, the Fed took December an increase of the official interest rate of +25 bp to 0.75%, due to the strength of the US economy, the labor market and the recovery of inflation, announcing its intention to make three more downgrades in 2017.

- This disparate behavior of the monetary authorities on both sides of the Atlantic, and the triumph of Donald Trump, announcing important programs of spending and fiscal expansion, have strengthened the dollar against the euro, approaching almost to "parity" when finalizing the year to $ 1.0541, down 3.18% from 2015 $ 1.0887. Everything points to the fact that in 2017 this parity can be broken, a situation that did not occur since December 2002.

- The Ibex-35 closed the last session of 2016 at 9,352.1 points, falling for the second consecutive year, -2.01% (-7.15% in 2015), not being possible to recover in the final straight of the year The recoil of the first half, especially in the month of June with the Brexit. A year full of uncertainty marked by political instability, the volatility of crude or currencies, China, the Italian banking and ultimately the election of Donald Trump as US president.

- The large bank, without Banco Popular that has undertaken an extraordinary process of consolidation, closing in losses, has managed to increase its results compared to 2015 despite the current environment of negative interest rates, the decline in credit and provisions made on the occasion of The judgment of the Court of Justice of the European Union, which obliges financial institutions to repay everything collected by floor clauses that are not transparent. The benefits are sustained by the fall in the financial cost, the optimization of resources and the lower endowments due to insolvencies, the good evolution of doubtful assets, the maintenance of the Spanish economy and the positive evolution of employment.

- The non-performing loan ratio of other resident sectors of deposit institutions (the largest item in customer loans) was 9.27% in November 2016, an improvement on December 2015 from 0.93 pp, due to the more intense fall in delinquent loans compared to total investment, where new financing, mainly for SMEs, does not compensate for the depreciation.

- The sector faces significant challenges for the coming years, as negative rates will persist until the expected end of 2017, increased non-bank competition, digital transformation, improved efficiency that can lead to further mergers and cutbacks of the templates , Greater capital requirements, as well as the process of negotiation with clients opened by judicial processes or mortgage reform, among others.

Evolution of the Business

- The balance of Cajamar Group stood at 39,166 million euros at 31 December 2016, after experiencing a year-on-year decline of 1,295 million euros, mainly due to the sales of fixed and variable income securities portfolio, the decrease in doubtful assets, The lower appeal to the wholesale markets and, given the current interest rate environment, by the preference of the clientele of off-balance sheet savings products.

- The total balance business, which includes in addition to the retail balance business the wholesale resources, stands at 65,579 million euros.

- Balance sheet resources amounted to € 34,240 million, representing an annual decrease of € 1,520 million, motivated exclusively by the lower appeal to the wholesale markets as retail customer resources exceeded the level of the previous year, with € 25,353 million of euros.

- With negative interest rates in the short term throughout the year, there has been a clear transfer of customer savings from traditional time deposits to demand deposits, which advanced 19.8% and increase its weight over total retail customer resources to 64.0%, over 10 pp With respect to the year 2015, or towards more profitable products.

- In this regard, the off-balance sheet resources of Cajamar Group recorded a year-on-year growth of 24.3% to € 3,242 million, led by savings insurance and especially investment funds, following a successful agreement with TREA Capital, Which advanced 32.3% and 48.9%, respectively. Customer managed resources, as a sum of the resources of retail clients and off-balance sheet resources, had a year-on-year increase of 648.9 million euros, 2.3% in relative terms.

- The improvement in the exercise of the business gap and adequate levels of liquidity, have had lower needs for wholesale financing, reducing wholesale resources by 1,535 million in the last twelve months. In 2016, 1.3 billion mortgage bonds (800 million included in customer deposits) have been written off, and the balance of simultaneous liabilities has been reduced, in favor of greater appeal to ECB auctions, through financing facilities Granted through the new long-term operations (TLTRO II). The Group has made a subordinated debt issue for 100 million euros in November.

- The significant effort made in the area of unrealized assets throughout the year is one of the main causes of the 3.8% fall in annual credit to the balance sheet customers to 31,340 million euros, as credit to Healthy retail customers experienced only a 0.9% drop, driven by the financing of our preferred segments, agri-food sector and small businesses, although they are still not enough to offset the volume of depreciation. In fact, the exposure of the strategic segments represents at the end of 2016 more than 45% of the loan portfolio to the detriment of the portfolio of promoters, which fell to 6.9%.

- Doubtful assets in credit investment improved favorably with an annual decrease of 974 million euros, -18.8% in relative terms, partly due to the sale / disposal of assets made in the second quarter, which has allowed a Annual improvement of 2.47 pp Of the delinquency rate to 13.44% at the close of 2016.

- As a result, the lower need for impairments due to the application of internal models in credit risk places the overall coverage rate at 43.09%, with a total insolvency fund of 1,820 million euros.

- At year-end, Cajamar Group has been rated by the rating agency Fitch: "BB-" for long-term debt, "B" for short-term debt and stable outlook.

- The Group has had average employees of 6,699 and a network of branches at the end of the year of 1,191 offices, 66 less than in December 2015, spread throughout the national territory, although in the year 2016 have opened 7 new points of sale, one of them in a new square, in the province of Badajoz. The Group's vocation of being a national entity implies a territorial rebalancing to be present in more relevant populations, especially those with greater importance of the agri-food industry.

Share capital

- The Group's share capital (as a sum of non-equity capital plus other equity instruments) recorded a growth of 102 million euros, 4.2% in relative terms, which enabled it to reach 2,535 million euros.

- The number of cooperative members of the Group increased by 11,849 to 1,428,900.

Risk management

- Note 6 of the Report on "Risk Management Policies and Objectives", which forms part of the Consolidated Annual Accounts, provides a detailed analysis of the situation at the end of the year and the management performed during the 2016 financial year of the different types (Credit, market, liquidity, interest rate, operational and exchange rate risks).

Results

- The weakness of the traditional business income inherent in the sector, with negative investment rates and ever narrower margins by negative interest rates, have led to a 1.2% decrease in the Group's interest margin. Savings in financial costs, through the proper management of contracting margins, the increase in demand deposits, as well as the lower costs of wholesale financing, have been decisive in the Group to compensate for almost all the decrease of the financial income of the credit to the clientele.

- The Group's clear commitment to a customer-oriented business strategy, to advise and meet its particular needs, intensify cross-selling and sales of financial products, especially investment funds, insurance and pension plans, after New strategic alliances reached with Cetelem, Trea Capital and Generali Seguros, to the detriment of service fees, particularly of accounts and non-payment, partly due to the gradual improvement of economic activity and the ability to pay customers.

- Adequate management of assets and liabilities in the Group provides income to the income statement of € 186 million, as a result of Gains / Losses on financial assets and liabilities (ROF), € 81 million more than the previous year, which Have been able to absorb the lower income from financial commissions and revenues, mainly through capital gains from fixed and variable income portfolio sales made during the year.

- As a result, the gross margin at the end of 2016 experienced a year-on-year growth of 6.6% to reach 1,013 million euros, which means a return on average total assets of 2.56% compared to 2.41% from the previous year.

- In addition to all actions and projects aimed at boosting gross revenues, the Group is involved in a process of optimization and restructuring of the commercial network, promoting digital transformation and new models of commercial attention, which significantly Operating expenses (including administration and amortization expenses), up to 1.0% (8.7% in 2015). The increase in gross income and cost containment led to an operating margin of 383 million euros, 17.5% more than the previous year.

- On the other hand, the Group has reduced its provisions for badwill and bad debts in relation to 2015, thanks to the favorable evolution of doubtful assets, the development of internal risk management models and the intensification of commercial asset management for adjudication and payment, with a year-on-year decline of 72.0% in impairment losses on financial and non-financial assets.

- The agreement with Cetelem for the commercialization of consumer finance products has resulted in income of € 9.0 million in Gains / losses when derecognising non-financial assets and shares, net.

- On the occasion of the ruling of the Court of Justice of the European Union, which obliges financial institutions to return everything collected under the floor clauses, a maximum of 200 million is provided in provisions in the year, although their impact is expected to be lower, after the guidelines established by the government within the negotiation process established with the client, outside the courts of justice, arbitrating different mechanisms for their return.

- Finally, after a positive tax contribution, the Group obtained a Profit for the year of 76 million euros, 8.4% more than the previous year, which guarantees and safeguards the interests of its partners and customers.

Efficiency

- Gross margin increase 5.6 pp Higher than operating expenses, led to an improvement in efficiency compared to the previous year of 3.5 pp. To stand at 62.17%. Solvency

Solvency

- Cajamar Group as of December 31, 2016 has its own eligible capital of 2,990 million euros, 18.6% more than in 2015, resulting in an increase in the solvency ratio of 1.4% higher than the previous year To reach 12.96%, a level that complies with what was established by the regulator in Pillar I (8.0%), which generates a surplus of 1,145 million euros.

- On the other hand, CET 1 Capital improves to 11.36%, which allows it to comply with the CET1 capital requirements communicated by the European Central Bank based on the supervisory review and evaluation process, which reach 10.25% Including the minimum required by Pillar I (4.5%), as well as the requirements of Pillar II and the capital conservation cushion (5.75%). This means an excess of CET1 of 1.11% or 256 million euros.

Liquidity

- Cajamar Group enjoys a comfortable liquidity position, with CSF ratios of 516.90%, NSFR of 115.54% and LTD of 109.64%, high issuance capacity of banknotes and high volumes of portfolio discounting to ECB which allow it to have its maturities covered over the next few years.

Technology projects, alternative channels and R&D

Since January 2016, the Group's 20 companies have homogenized the image of their respective brands in order to strengthen the Group's common identification with customers, investors and markets. Thus the symbol of the Bank becomes that of all entities, without losing the name and the mark of each one of them. The symbol identifies 3 people, and is based on the axis of the Group's activity, that of the cooperative banking: the people, the professionals, who make up the Group, its partners and customers. It expresses the human and social factor of the activity, the closeness of each Entity, supported by a strong group, as well as solvency, tranquility and stability.

- Given the change in the banking industry, one of the most important projects is the Digital Transformation, to convert the offices into centers of advice and to promote the alternative channels:

  During 2016 the Digital Transformation of the Entity is accelerated by addressing structural projects framed in three main lines of action:

  1. Improvement of efficiency through process optimization, using state-of-the-art technological tools or by applying new ways of working to improve the quality and acceleration of these processes:

     - **Improvement and increase of options in the self-service channel of the office network.** Allows customers 24 hours autonomy in simple transactions, usually cash management, in a much more agile way than in the traditional window. Transactions that are already supported in these terminals range from income and cash payments with return of coins, application for payroll / pension advance, or take a duplicate of Electronic Banking passwords. These measures, in turn, allow staff time for commercial advice.

     - **Development projects with Agile methodology**: which allows to increase the quality of the finished services and to accelerate the times of its putting into production. Such as:

       - Optimization and redesign of menu and navigability in operations available in ATMs
       - Installation in offices of kiosks with tablet of access to the electronic banking available for any client.
       - Acquisition and installation of full-equipped ATMs that allow entry and payment in cash, closing the year with more than 200 ATMs with these characteristics.
       - New services available in Electronic Banking, for individuals and companies

  2. Adaptation to the regulations emanating from the different supervisory agencies, and increasing the level of security in the distance relationship with customers:
     - Strategic project of Cybersecurity, which is permanent, with annual renewal.
     - Incorporation of the TouchID into mobile banking for fingerprint access and the integration of Latch service into Distance Banking.

3. Creation of new business models based on digital components, especially in the remote contracting of products, remote consulting through personal managers and in the enhancement of the mobile channel in specific services:

    - Mobile application YOPAGO that allows the realization of immediate payments between individuals, only knowing the mobile of the recipient.

    - AGROUP application for farmers who need to calculate the approximate costs of a given farm.

All these improvements in technology, security, convenience and the amplitude of new services available in the alternative channels (Electronic Banking, Mobile Banking and Tablet) increase the number of live contracts up to 1.6 million, an 8.29% more than a year ago.

In the effort to improve service and customer relationship, especially our preferred segments, within the agro-food, SME, autonomous and family sectors, new technologies and commercial tools are implemented and new products are developed for the specific needs of each segment:

- New Business Agenda: The Group is committed to the innovation of new technologies with commercial management tools, in Cloud, without hardware and without speed limit, focused on identifying the global commercial opportunities of customers and non-customers, aligned to the achievement of The objectives, with chatter that allows the transmission of knowledge in the organization and with a more agile and dynamic monitoring of the commercial activity.

- Customer Journey Map: is a diagram that shows the path or route that a potential customer makes since it needs to buy, real or forced, until the end of the purchase of our product or service, as well Such as possible interactions during the life cycle or after-sales period of said product or service with the customer. It defines what the client does, where, when and how to impact with the customer to channel the purchase to our entity.

- Individuals.

    - Alliance with Cajamar Consumo: Commercialization of consumer loans through the new company Cajamar Consumo, result of the alliance between Banco Cetelem and BCC. Focus has been placed on preconcession consumer campaigns aimed at those clients with a propensity to contract personal loans. These actions have made it possible to be agile in concession of operations, which is the main competitive advantage.

    - Abandonment Model: focusing on private clients, we can take advantage of the potential and added value that advanced analytics makes available to be able to determine the leakage behavior of the Entity's customers, through a probability of abandonment and a Segmentation of associated value for each client, which will allow us to define strategies of action in function of the behavior of the clients sending commercial adhoc offers that allow to retain those clients.

    - 360 Expansion Account. Account at sight with a remuneration of up to 1.50% on the average daily balance, with a limit of € 12,000. The remuneration is obtained through the contracting of insurance products, mutual funds, pension plans and credit card. This account focuses its commercialization in the capture of clients in zones in expansion.

    - SELAE Project: A service that allows Cajamar to access SELAE Awards payment and to open accounts to points of sale of this agency. With this agreement, the offices of Cajamar can manage prizes of more than 2,500 € of any of the sweepstakes of SELAE (Christmas, El niño, Euromillones, Bonoloto, etc) to clients and non clients of the entity, making possible the capture of managed resources as well as new customers.

- Autonomous, SMEs and Companies:

    - International Platform: It is an integral proposal of the Group for the internationalization of the SME. The platform, completely free, provides a portfolio of services that cover most of the needs of internationalization with the aim of increasing the international business portfolio.

- Specialist platform Retailers: Retailers have a platform available where they can find financial advice to all their business projects based on the life cycle of the client's business: startup, growth and development and maturity. It encompasses solutions for entrepreneurs, digital transformation, energy efficiency, franchising, antihurto, generational relief, etc.

- Public Aid Platform: In order for companies and self-employed clients to locate, advise and manage the financing of public aid that best adapts to their business in a fast and simple way.

- CrediNegocio, CrediPyme or CrediAgro: Specific credit accounts that can benefit independent customers, companies and Agro, through a series of additional advantages both in the credit account itself and in other products: competitive interest, credit card Credit and account at sight without fees and POS.

- New Commercial Agreements, with COFACE to offer to SME customers new products such as Factoring without recourse with advice and credit insurance, and with ALPHABET to relaunch the Renting.

- Inclusion of the Foreign Trade Line within the Multiproduct Policy and extension of its term from 4 to 10 years: comex lines can be formalized without having to go through the Notary and protecting their risk under the guarantee of the Multiproduct Policy.

• Insurances

  - Improvement of navigation in the computer system used by the network: It consists of the incorporation of a screen before the operations of Insurance, which shows in detail the options available through the Financial Terminal, improving the navigability for the user and reducing the possibility Errors and delays in the processes of consultation, pricing and contracting.

  - Statement of claims in electronic banking: Incorporation of a new functionality, available to customers who have contracted the Electronic Banking service, through which statements and consultation of claims can be made to Cajamar Seguros Generales Company, for the insurance modalities M-Home, M-Commerce and Greenhouses.

  - Improvement in sending documentation to legal entities: Implementation of an automated service for sending documentation to companies Cajamar Vida, S.A. And Cajamar Seguros Generales, S.A., relating to commercial companies, for those insurance policies in which the policyholder is a legal entity.

  - Implementation of telesuscription in some products of Life: Implementation of an automated service with the company Cajamar Vida, S.A. Which allows a correct evaluation of the risk in the contracting of life insurance (risk), eliminating part of the intervention of the banking office and producing improvements in the time of attention to customers and in the quality of the service provided.

  - Production of new ranges of Trade, Credit and Legal Protection: Expansion of offer in Commerce product, the supply of modalities available in the contracting of the M-Commerce insurance (Basic, Complet and Elite) has been increased to three, which allows Customer choose according to their needs. The offer of Credit Insurance with credit sale coverage inside and outside the country has been included in the general catalog, along with a distribution model adapted to the branch network. As a complement to the modality of Cars, a specific policy of Legal Protection has been incorporated.

  - Improvements in the offer of Agroseguro: Access to all the offer in products of Agroseguro, with the incorporation of the lines of: life, withdrawal and destruction, for the livestock farms. In addition, compensation and regularization have been automated, which provides better customer service. Statement of claims in Electronic Banking and implantation of telesuscripción in some products of Life.

- Technological projects

  - Advances in the new CORE Financial and analytical environment (Picasso Project). As part of the progress of these projects of great importance and importance for the Group, during the past year, the modules of the new financial CORE for "Product Workshop", "Agreements", "Accounts Balance", " Accounting "," Security Boxes "," Notes and Locks "," Transfer of Data between Environments "and" Phase 2 of Infrastructure ". This represents a 61% advance in the overall project, with a forecast of completion by 2019.

  - Technological integration with Cetelem (Cajamar Consumption). A technology integration platform project that allows the use of the Cetelem solution in an integrated and transparent way from the Group's Financial Terminal, exchanging the necessary information between both platforms with the objective of impacting as little as possible on the operations of employees and Streamline the commercial work and customer service.

  - Deployment of the BigData corporate environment: This project has enabled the Group to have a new technology solution that will allow information analysis specialists to process and obtain results from large volume data sources or formats that are not manageable of traditional technological solutions. This new scenario opens the door to analyzing and proposing new analytical models from which it will be possible to predict customer behaviors as well as to improve product offerings based on their profile or behavior

  - Implementation of the new Business Agenda (Salesforce). This project has meant the jump to the use of modern technologies in the cloud, which will mark the beginning of the use and adoption of other solutions of this type and that will allow to provide greater agility to adapt to the needs of the market, as well as to improve the mobility of the Employees of the Group. The commitment to a market-leading technology platform by the Group, such as Salesforce, has been possible thanks not only to the work carried out to adapt and parameterize this solution and adjust it to the needs and requirements marked from Business, but also thanks to The works to be able to integrate it with the corporate technological solutions, guaranteeing at all times the levels of security and control marked internally and demanded by the regulator.

  - Deployment of the new Recovery application. The recovery of debt is one of the strategic points of the group, which has been reflected in the past year 2016 in the acquisition and implementation of a new technology solution acquired from a company specialized in this field.

Grupo Cooperativo Cajamar integrated report

- We refer to the integrated report of Cajamar Group which collects financial and non-financial information from a long-term perspective designed to help our stakeholders understand all the components of business value and how it may be affected for future risks and opportunities.

- Specifically, it refers to Cajamar Group, its mission and values, Corporate Governance, Business Model, Strategy and Performance, from the three economic, social and environmental dimensions, as well as the future prospects of the Group. The scope of this report is limited to Cajamar Group on a consolidated basis.

- This report has been carried out under the criteria established by the International Integrated Reporting Council (IIRC, by the Global Reporting Initiative (GRI 4.0) and the principles of the AA1000 (AcountAbility Principles AA1000APS) standard.

Glossary of Alternative Performance Measures (APMs)

- Retail customer funds: It is calculated from the balance sheet Deposits of the customer, excluding issued shares, money market operations and mortgage bonds (net of their respective corrections).

- Loans to customers on the balance sheet: These are obtained by excluding customer loans from impairment losses on loans and advances (excluding active credit institutions).

- Customer Balance Business: Sum of Retail Customer Resources and Balance Sheet Customer Loan.

- Wholesale resources: It is the aggregation of passive money market operations, mortgage bonds, issued shares, subordinated debt and ECB auctions (all these net amounts of their respective corrections).

- Total balance business: Customer balance business + Wholesale resources.

- Balance Resources: Retail Resources + Wholesale Resources.

- Out-of-balance resources: include investment funds, pension plans, savings and fixed and variable income insurance in the hands of customers.

- Customer managed resources: Retail customer resources + Out-of-balance resources.

- Credit to healthy retail customers: This is obtained by subtracting the active money market operations and the doubtful assets of the credit investment from the credit to the gross balance sheet customers.

- Doubtful lending assets: doubtful loan assets + doubtful assets of advances (other financial assets).

- Delinquency rate: doubtful assets of lending assets / Credit to the gross balance sheet customers.

- Global coverage rate: (Impairment of assets, loans and advances + corrections of value of debt securities + provisions for contingent risks) / (Doubtful assets of lending assets + doubtful assets of credit institutions + doubtful contingent risks).

- Impairment losses on financial and non-financial assets: Aggregation of the headings in the income statement, impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and impairment or reversal of impairment of non-financial assets (net).

- Efficiency: (Administrative Expenses + Amortization) / Gross margin.

Annual Corporate Governance Report

ANNUAL CORPORATE GOVERNANCE REPORT OF OTHERS ENTITIES - EXISTING TO SAVINGS BANKS - THAT ISSUED VALUES THAT ARE NEGOTIATED IN OFFICIAL MARKETS

IDENTIFYING DATA OF THE ISSUER

END DATE OF THE REFERENCE YEAR	31/12/2016

ID. Nº	F-04743175

SOCIAL DENOMINATION
CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CRÉDITO

ADDRESS
Plaza de Barcelona, 5 (04006) Almería

ANNUAL CORPORATE GOVERNANCE REPORT OF OTHERS ENTITIES - EXISTING TO SAVINGS BANKS - THAT ISSUED VALUES THAT ARE NEGOTIATED IN OFFICIAL MARKETS

ANNUAL CORPORATE GOVERNANCE REPORT

A OWNERSHIP STRUCTURE

A.1. List of the most significant shareholders or participants in the entity at the closing date:

A.2. Indicate family, commercial, contractual or corporate relationships among significant shareholders or participants known to the entity, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.3. If there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the entity, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

A.4 Indicate the legal and by-law restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock.

Yes [X] **No** [ ]

Description of the restrictions

- Restrictions on voting rights

According to the by-laws of Cajamar Caja Rural, Sociedad Cooperativa de Crédito, (hereinafter, the Bank or the Entity) each shareholder, present or represented, may vote at the Preparatory Meetings, except:

A) When a punishment has been imposed on a shareholder which entails the suspension of voting rights.

B) When the shareholder is expelled by the Chairman based on his or her antisocial behaviour.

C) When the shareholder must abstain from voting because of a conflict of interest.

No single attendee may represent the voting rights of other shareholders that exceed thirty percent of the voting rights present and represented at the general assembly.

The attendees who hold offices in the Bank will cast their own votes and, where applicable, those of two other shareholders they represent. The obligation to abstain from voting as described in C) above applies to office holders.

- Share capital acquisitions and transfers:

The Credit Cooperative Act establishes that the total amount of each shareholder's contribution may not exceed 20 percent of the share capital for legal entities and 2.5 percent for natural persons.

Under no circumstances may legal entities that are not cooperative entities hold more than 50 percent of the share capital.

According to the Bank's by-laws, the shares may only be transferred in inter vivos acts to other shareholders or those who become shareholders within three months.

In mortis causa transfers, the rightful owner must apply for admission as a member. If the rightful owner does not apply for admission or if the application is denied, he/she will be entitled to liquidate the inherited shares.

B) GENERAL MEETING OR EQUIVALENT BODY

B.1. Indicate the quorum for holding a general meeting or a meeting of an equivalent body as stipulated in the by-laws. Describe the differences between the system of minimums established by the Spanish Capital Companies Act or any other applicable legislation

The Bank, as a credit cooperative, is bound by the rules that apply to such entities and there are differences between the legally established system and the Group own internal rules.

In accordance with the provisions of section 1, Article 17 of the by-laws, "bearing in mind the high number of members of the Bank, its presence in multiple autonomous regions and the consequent difficulty faced by members to attend the General Assembly, the authority of this body will be exercised through and Assembly formed by Delegates designated in Preparatory Meetings and by the persons holding management positions".

As regards the Preparatory Meetings, Article 23 section 5, of the by-laws stipulates the following:

The quorum for holding Preparatory Meetings will meet the following rules:

A) At first call not less than 51% of the total voting rights falling to members of the Cooperative assigned to the relevant Meeting must be present or represented.

B) At second call the members present - including those that are represented- must hold 5% of all member votes assigned to the Meeting, but if the total number of members with the right to attend is less than 100, at least 6 with voting rights must attend and when the assigned members exceed 500 at least 25 cooperative members with voting rights must be present or represented. [...]"

Article 25, section 2, of the by-laws stipulates that the General Assembly will be validly called to order provided that the following requirements are met:

"A) More than three-fourths of all of the Preparatory Meeting established in this Section must have been effectively held beforehand.

B) In order to call the meeting to order at first call, more than one half of the total number of delegates elected at the previously held Meetings must present together with all members that hold positions at the Bank. On second call only 40% of the chosen Delegates and members holding positions must be present. [...]"

B.2. Explain the system for adopting resolutions. Describe any differences with the system established by the Spanish Capital Companies Act or any other applicable legislation.

The Bank, as a credit cooperative, is bound by the rules that apply to such entities and there are differences between the legally established system and the Group's own internal rules. Article 26 of the by-laws establishes the applicable legal provisions with respect to this area.

Accordingly, and in order to exactly describe the manner of adopting resolutions, Article 26 is transcribed below:

"Article 26. System of majorities at the General Assembly

- The General Assembly will adopt resolutions, as a general rule, with a majority of more than 50% of the votes validly cast, and for these purposes blank votes and abstentions are not computable. Resolutions that are of an electoral nature, to designate members and alternates for governing and other bodies will be decided by a majority of the number of votes cast.

Under no circumstances may a casting vote exist.

- A majority of two thirds of voting rights present and represented will be required to:

a) Adopt resolutions concerning membership of a cooperative group of those regulated in Law, concerning their deregistration, the creation of a new cooperative group and in general with respect to whatsoever agreements should be adopted in relation to the relationship with a Cooperative Group.

b) Amend these by-laws.

c) Approve the merger, universal assignment, spin-off or the dissolution of the Entity, except when the latter must take place due to legal reasons for which an ordinary majority of the General Assembly is sufficient.

d) Sell or assign the Entity, or any portion thereof, by any means, which gives rise to a substantial modification of the Cooperative's equity, financial, organizational or functional structure, as defined by the provisions of Article 16.2.g) of these by-laws.

e) Reactivate the entity.

f) Issue debentures or other securities if required by applicable legislation.

g) Agree to revoke or remove the« Governing body, Controllers or Resource Committee, or any of their members early, except in cases of flagrant crimes, very serious infractions confirmed by the Ministry of Finance or the existence of a situation that requires the immediate removal of the relevant responsible person.

h) Any other issues for which this majority is required by current regulations."

B.3 Briefly indicate the resolutions adopted by the shareholders' meetings held in the year of this report and the percentage of votes that approved each resolution.

On 27 April 2016 the Bank held an ordinary General Assembly in which the following motions were unanimously passed, per the meeting agenda:

- Approval of the Individual Annual Accounts and Individual Directors' Report for the financial year ended 31 December 2015, issued by the Entity's Governing Board in the meeting held on 25 February 2016, approval of the proposal for the distribution of available surpluses and of basic guidelines on the use and application of the Education and Promotion Fund.
- Establishment of the limits, time and form of payment of the interest rate on contributions to share capital. Delegation to the Governing Board of the enforcement of the resolution adopted.
- Authorisation for the Governing Board to issue as many financial instruments as are permitted by legislation in force from time to time.
- Authorisation for the Governing Board to grant powers relating to the management of the Education and Promotion Fund to the date of the 2017 Annual General Meeting.
- Designation of auditors for FY 2016.
- Election of the Rector Council of Cajamar (96.25%).
- Election of the Entity's Resources Committee (97%).
- Information and related decision on the amount of remuneration payable to the members of the Governing Board, as part of Cajamar Grupo Cooperativo overall policy, pursuant to the latest applicable regulations and the by-laws.
- Grant of powers to the Governing Board, the Board chairperson and the Board secretary, as well as the substitutes as per the by-laws, to enforce the resolutions adopted by the General Assembly.
- Appointment of three shareholders and alternates to approve the minutes within fifteen days of the assembly, along with the Chairman.

B.4 Indicate the address and access to the corporate governance contents on the website.

The information on corporate governance is accessible through section "Información corporativa, Gobierno Corporativo y política de remuneraciones" (https://www.cajamar.es/es/comun/informacion-corporativa/gobierno-corporativo-y-politica-deremuneraciones/) in the Bank´s Webside, www.cajamar.es.

Furthermore, The corporate governance contents can be accessed by clicking on "Information for shareholders, Corporate Governance Report", and "Information for Investors, Corporate Governance, Corporate Governance Report" (www.cajamar.es/es/comun/informacion-corporativa/informacion-para-inversores/gobierno-corporativo/informe-de-gobierno-corporativo/) on the Bank's website: www.cajamar.es.

B.5 Indicate whether or not meetings have been held by syndicates, if any, of the holders of any securities issued by the Entity, the purpose of the meetings held during the year to which this report refers and the main resolutions adopted.

There have not been, during the year any meetings with the assemblies of the corresponding syndicates of holders of the pertinent securities of the Entity regarding this report.

C) MANAGEMENT STRUCTURE AT THE ENTITY

C.1 Board of Directors or Governing Body

C.1.1. Indicate the maximum and minimum number of directors or members of the governing body established in the by-laws.

Maximum number of Board members	12
Minimum number of Board members	8

C.1.2. Complete the following tables with the members of the board and their status:

MEMBERS OF THE BOARD OF DIRECTORS OR GOVERNING BODY

Name or business name of the Governing Board member	Representative	Date of last appointment
MR. EDUARDO BAAMONDE NOCHE		27-04-2016
MR. FRANCISCO LORENTE BROX		27-04-2016
MR. JOSE LUIS HEREDIA CELDRÁN		27-04-2016
MRS MARÍA LUISA TRINIDAD GARCÍA		27-04-2016
MS FRANCISCO ELÍAS GÓNGORA CAÑIZARES		27-04-2016
MS FRANCISCO MARTÍNEZ-COSENTINO JUSTO		27-04-2016
MS. JESÚS MARTÍNEZ DE SALINAS ALONSO		27-04-2016
MRS. MARÍA DE LOS ÁNGELES PÉREZ PARACUELLOS		27-04-2016
MR. BARTOLOMÉ VIUDEZ ZURANO		27-04-2016
MR. JUAN COLOMINA FIGUEREDO		27-04-2016
MR. GREGORIO SÁNCHEZ PIETRO		25-04-2016

C.1.3. Name the Board members or governing bodies, if any, who are also directors or executives of other companies in the same group as the entity:

C.1.4. Complete the following table regarding the aggregated remuneration of the members of the governing body accrued over the last four years:

	Number of female directors							
	Financial year 2016		Financial year 2015		Financial year 2014		Financial year 2013	
	Number	%	Number	%	Number	%	Number	%
THE BOARD OF DIRECTORS	2	18.18%	2	20.00%	2	18.18%	2	13.33%
EXECUTIVE COMMITTEE	1	20.00%	0	20.00%	0	0.00%	0	0.00%

C.1.5. Complete the following table regarding aggregate remuneration paid to the members of the governing body during the year:

Remuneration item	Thousand EUR	
	Individual	Group
Fixed	691	0
Bonuses	0	0
Per diems	609	0
Other compensation	322	0
Total:	1,622	0

C.1.6. List the members of senior management who are not executive directors and show the total compensation paid to them during the year:

Name or company name of	Title
MR. JOSÉ LUIS HEREDIA CELDRÁN	Director, Commercial Banking
MR. FRANCISCO JOSÉ GONZÁLEZ LÓPEZ	Director, Commercial Banking

Total senior management compensation (EUR'000)	251

C.1.7. Indicate whether the by-laws or the Board Regulations establish any limit on the term of office for Directors or members of the governing body:

YES [X] No [ ]

Maximum number of years in office	4

C.1.8. Indicate whether the individual and consolidated financial statements that are presented for board approval have been certified:

YES [ ] No [X]

If so, identify the person who has certified the company's individual and consolidated financial statements for board authorization.

C.1.9. Detail whether the board of directors has established any mechanisms to ensure that the individual and consolidated financial statements authorised by it are presented to the Shareholders' Meeting without audit qualifications.

One of the duties of the Audit Committee is to maintain relationships with external auditors to receive information regarding the audit of the annual accounts.

The external auditors present this information to the Audit Committee before the preparation of the Entity's annual accounts, specifically, during the final Committee meeting of the year, including the preliminary conclusions of the audit work carried out until that time and, notwithstanding the result of audit work that could be pending execution at that date, provides a draft opinion from the external auditors regarding the annual accounts.

In the event that there is any qualification in the preliminary conclusions prepared by the external auditor regarding the annual accounts, the Audit Committee will report this to the Governing Body at the following meeting. The Governing Body may therefore evaluate the possibility of modifying the financial statements and correcting any qualifications that may have been imposed by the auditors in their preliminary conclusions.

C.1.10. Is the secretary to the board or the governing body a voting director?

YES X **No** ☐

C.1.11. Indicate whether there are established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.

1. Independence of the auditor

The Audit Committee verifies compliance by the auditor (currently the firm PricewaterhouseCoopers Auditores S.L.) with requirements, specifically reporting on the absence of any situation that could compromise the independence of the auditor's work.

In addition, information is provided relating to compliance by the members of the team with the rotation rule (maximum of 7 years).

This information, and express mention of compliance with applicable international and domestic legislation, especially the revised version of the Audit Act, means that at that meeting the legal compliance of the auditing firm and its independence was verified.

2. Independence of the rating agencies, financial analysts and investment banks

Within the principle of transparency, which must prevail with respect to the Entity's operations in financial markets, it establishes the mechanisms and procedures that are adequate to ensure that credit risk rating agencies, financial analysts and that the banks are informed of all information that may be relevant to analyse Entity within a framework of independence.

The Financial Reporting Agents and Institutional Investments Area is responsible, as its name indicates, for relationships with the credit rating agencies and ensures that they have immediate access to correct and accurate information that will facilitate their analysis and obtaining conclusions with the highest degree of independence possible.

C.2 Committees appointed by the Board of Directors or Governing Body

C.2.1. List the governing bodies:

Name	Number of members
EXECUTIVE COMMITTEE	5

C. 2.2. Details of all the committees of the Board or administrative body, their members and the proportion of executive directors, nominee directors, independent directors and other external directors forming the committees (entities that do not have the legal form of a company limited by shares will not complete the director category in the relevant table and will explain, in the text box, the category of each director based on their legal scheme and the manner in which they fulfil the conditions relating to the composition of the audit committee and the appointments and remuneration committee):

EXECUTIVE COMMITTEE

Name	Title
MR. EDUARDO BAAMONDE NOCHE	CHAIRMAN
MRS. MARÍA LUISA TRINIDAD GARCÍA	SECRETARY
MR. DON FRANCISCO LORENTE BROX	MEMBER
MR. JOSE LUIS HEREDIA CELDRÁN MARTÍNEZ	MEMBER
MR. BARTOLOMÉ VIUDEZ ZURANO	MEMBER

% of executive directors	0.00%
% of proprietary directors	0.00%
% of Independence directors	0.00%
% of other external	0.00%
Number of meetings held	**40**

C.2.3. Describe the rules of organization and procedure, and responsibilities attributed to each Board Committee or members of the governing body. Describe the duties of the CEO, if any.

Regarding the category of each director and the manner in which they meet the conditions of composition of the audit committee and the appointment and remuneration committee, we refer to the information regarding the Sections C.1.2 and C.2.2 respectively in letter G of this Repor.

As regards functions, all the Governing Board's competences have been delegated to the Executive Committee barring the ones that may not be delegated by law or under the by-laws.

The Executive Committee is basically regulated by Article 33 of the by-laws. Information on the rules governing its organisation and functioning are set out below:

The Government Body has designed an Executive Committee formed by a Chairman, two Vice Chairman, a Secreaary and a Member.

The Executive Committee shall meet at least once a month, with the place, date and time to be established by the committee itself. It shall be validly constituted when the meeting is attended by more than half of its members who may not be represented;

Other people whose presence and contributions are considered of interest to the Entity may be invited to attend, without voting rights.

Resolutions shall be adopted by more than half of the votes validly cast of the members present and the Chairman shall cast the deciding vote in the event of a draw.

For each meeting minutes shall be drawn up by the Secretary. Once approved, the minutes are recorded in the Minutes Book.

The Executive Committee’s most significant activities during the year related to the Entity's share capital and regulatory capital, management of loans and receivables and property investments, investees, financial instruments and the cultural and community projects fund.

D) RELATED PARTY TRANSACTIONS

D.1 List any transactions between the bank or members of its group and the shareholders, participating members, holders of proprietary rights or any other type of related party.

D.2 List any transactions between the bank or members of its group and the directors, officers or members of the governing body.

D.3 List any transactions between group companies.

D.4 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the entity and/or the group and its directors, executives or members of the governing body.

- The by-laws exclude the right to vote in the General Assembly when there is a conflict of interest.

  Such a conflict of interest is deemed to exist in the following cases:

  a) Votes regarding actions or contracts in which the member, or family members up to the second degree of consanguinity or affinity, have an interest as third-party contractors with the cooperative, excluding in this case activities and services within the cooperative.

  b) Votes that particularly affect a member, either because the issue involves just cause for not accepting a position or duty or because a decision is to be taken regarding the removal or creation of a temporary benefit for justified reasons to that member with respect to compliance with certain obligations

  c) Those cases that are not specifically included in the previous two sections but are included in the Capital Companies Act.

  As attendees at the general assembly, directors are bound by these rules.

- With respect to conflicts of interest within the Governing Body, the by-laws stipulate as follows:

  A Director will be in a conflict of interest situation when:

  a) The contracting of obligations or transactions not included within the cooperative involving the director or family members to the second degree of consanguinity or affinity, as is established by Article 42.1 of Law 27/1999 on Cooperatives.

  b) Votes will take place regarding social responsibility action against directors, as follows: to start, compromise or waive such action.

  c) The situation involves a decision regarding cooperative transactions or services that favour a director or a family member, as indicated in paragraph a).

  d) A decision will be taken with respect to the creation, suspension, amendment, renewal or extinction of obligations or rights relating to the cooperative with entities at which the director or the aforementioned family members are directors, administrators, senior managers, advisers or members with a shareholding equal to or exceeding 5%.

  e) Any of the situations established in Article 29, number 5, or any other section, of these by-laws exists - precautionary suspension from duties of those directors or controllers who have not met the loyalty, dedication and discretion requirements demanded of these positions.

  f) Any other conflict of interest situation established in the Capital Companies Act or any other applicable law.

  When there is a conflict of interest, the affected director(s) must abstain from voting on matters involving the conflict.

  In addition, according to the rules governing credit cooperatives, these votes on conflicts of interest will require the favourable vote of two-thirds of the directors and the governing body's deliberations and resolutions will be secret.

  Similarly, the Internal Rules of Operation stipulate that Directors must immediately report to the governing body any direct or indirect situation of conflict between themselves or the persons related to them and the company's interests. The affected director must abstain from resolutions or decisions relative to the operation to which the conflict refers.

  Directors must report with respect to themselves and persons related to them (a) any direct or indirect interest that they may hold, and (b) the positions or functions carried out in any company which is in a situation where it effectively competes with the Entity.

  The conflicts of interest described above shall be subject to disclosure in the notes to the accounts and in the corporate reports in the manner envisaged in the law and the bylaws.

E) RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System.

Risk management is an integral and ongoing function that covers all sectors and all geographical areas where the Bank operates. BCC is responsible for the risk control policies and procedures. All Group´s entities are under the scope.

In 2015 BCC's Board of Directors approved the Group's Risk Propensity Framework (RAF), which defines the level of risk that our Group is willing to assume in order to achieve its strategic objectives, both globally and for each relevant risk which is exposed. The general statement is specified in a particular statement on each relevant risk to the Group, and establishes the level of risk to be assumed for each.

The RAF emanates from the BCC Board of Directors and its scope covers the whole Group, being a key element in the process of managing the same. It is integrated and aligned with the strategic plan, capital and liquidity planning, compensation policy and recovery plan.To measure the propensity for each risk, our Group has a series of indicators or metrics associated with a rating scale or limits that allow to establish the level of each risk, and to monitor it monthly.

Policies, procedures and risk controls are designed according to the nature of the risk, and are independent of the time, area or place where risk exposure occurs.

E.2 Identify the corporate bodies responsible for preparing and implementing the Risk Management System.

The highest level executive body of the Group is the Board of Directors of BCC formed by the Directors elected by the General Meeting of Shareholders. Since the frequency of its meetings is monthly, it has delegated functions in its Executive Committee, which meets weekly. In addition, for the proper performance of its functions, the Board of Directors and its Executive Committee are assisted by a set of (specialized) Delegate Committees which, with an assessed scope of competencies, receives regular information on the management and control lines, so that they can duly advise the Council and its Executive Committee on decision-making.

The first line of defense is the Chief Executive Officer, appointed by the Board of Directors, who is the chief executive of the Parent Entity, along with the following general directorates, who are hierarchically dependent on it.

- General Directorate of Investments.
- General Business Directorate.
- Corporate General Management.
- General Directorate of Human Resources.
- General Directorate of Finance and Real Estate Investments.
- General Directorate of Intervention.

Depending directly on BCC's Board of Directors is the second line of defense, formed by the Regulatory Compliance Department and the Global Risk Control Division. Finally, the Internal Audit Department, also under the BCC Board of Directors, represents the third line of defense, following the standards of independence of functions between the risk management and control bodies.

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

BCC performs centralized management for the entire Group of all risks. The main risks to which the Group is exposed are included in the Risk Propensity Framework, and are as follows:

Credit risk: broadly understood as the possibility of incurring losses due to borrower default, is the main risk to which the Group is exposed based on its nature and business model.

Concentration risk, understood as the possibility that credit risk is aggravated by the accumulation of exposures in few clients, geographical areas or sectors of the economy.

Real estate risk: as part of the risk of concentration of credit, risk of devaluation of real estate.

Sovereign risk: understood as the risk that exists in the debtors resident in a country for circumstances other than the usual commercial risk, measured in terms of concentration of exposure by country, and in terms of assessment / valuation of sovereign exposure in the country of home.

Market risk, understood as the possibility of incurring losses in portfolio positions as a result of adverse movements in market prices.

Liquidity risk and financing, understood as the possibility of incurring higher financing costs or losses due to the shortage of liquid funds at the time they are necessary or the difficulty to maintain the desired financial structure.

Business risk, understood as the possibility of not generating results Due to idiosyncratic or systemic factors.

Operational risk, understood as the possibility of incurring losses due to errors in processes, systems, technical and human equipment, including internal and external fraud, including legal risk.

Interest rate risk, understood as the possibility of losses due to the potential impact of changes in interest rates on the entity's profits or on the net value of its assets.

Reputational risk, understood as the possibility of economic or business losses arising from adverse news or conflicts with customers.

E.4 State whether the entity has a risk tolerance level.

The Group has defined a Risk Appetite Framework (RAF) through which to control levels of tolerance to the risks to which it is exposed. The RAF, approved by BCC's Board of Directors, is based on the following comprehensive risk appetite statement:

“In line with its strategy, the Group engages in traditional low-risk activities consisting basically of capturing customer deposits and investing in its customer loan portfolio; our preferred customers are individuals, self-employed workers, micro enterprises and SMEs, prioritising the primary sector.

Accordingly, the main exposure is to credit risk, which must be mitigated by means of diversification, credit quality and collateral in order to approve loans, early follow-up, rigorous management and economic effectiveness in recovery processes.

With the fundamental aim of meeting core business funding needs and in order to make good use of cash surpluses, the Group has recourse to wholesale financial markets, although activities in these markets to fund the retail business must always observe prudent limits.

Investment in financial assets exposed to market risks so as to complement and diversity the income statement must be moderate, besides the investments necessary to comply with regulations.

A credit institution's activities are exposed to other risks such as liquidity, interest rate, operational, reputational and business risks, requiring a policy of low exposure to risk in all cases.”

This Overall Declaration goes on to address each specific risk to which the Group is exposed (credit, concentration, liquidity, interest rate, market, business, solvency or capitalisation, operational and reputational risks), explaining the indicators employed and the tolerance levels that the Group is willing to accept and which are monitored on a monthly basis.

E.5 State whether any of these risks have materialized during the year.

Risks above and other less relevant are inherent to financial activities and therefore to the Group´s activity. Then the materialization of risks to a greater or lower extent is entirely inevitable.

However, the safeguards that have been established as well as channels and circuits for approving risk operate normally and there are no distortions in the application of the procedures established for this purpose.

E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity.

The Risk Propensity Framework of Cajamar Grupo Cooperativo (RAF) has defined a series of metrics or indicators, primary and auxiliary, for which it establishes the following limits or thresholds of tolerance:

• BAU (Business as Usual): means that the indicator is within the risk appetite defined by the Board.

• EWI (Early Warning Indicator): level that represents an excess acceptable by the Group.

• Alarm: means reaching an unwanted level of risk.

• Excess: present in the indicators that may lead to the activation of the Recovery Plan.

Cajamar Grupo Cooperativo monitors the risk appetite monthly, establishing in the framework the details of scaling information, periodicity and recipient, which allows to act quickly in case the indicators exceed the limits determined, through active participation Of the Board of Directors and the Senior Management of BCC, together with the Director of Global Risk Control, who is entrusted with the work of coordinating the RAF in the Group.

In addition, the Group has a Business Contingency Plan as well as a Recovery Plan, which is fully integrated with the RAF, so as to ensure that adequate follow-up of the RAF provides adequate follow-up of the Recovery Plan, which Prevent major risk materializations above tolerable levels of tolerance.

F) INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO FINANCIAL REPORTING (FRICS)

Describe the main characteristics of the internal control and risk management systems with regard to financial reporting (FRICS).

F.1 Control environment

Describe the main characteristics of:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) implementation; (iii) supervision.

The Board of Directors of the BCC and the management body are aware of the importance of ensuring shareholders and investors the reliability of the financial information published in the market, being fully involved in the development of FRICS. The Board of Directors has functions; (I) Guarantee the integrity of the accounting and financial information system, (ii) approve the financial information within its competence, and (iii) supervise the process of disclosure of financial information.

The Audit Committee is responsible for the supervision of the proper functioning of the FRICS. Among its competencies we find the following:

- Supervising the effectiveness of the internal control function, the internal audit function and risk management; as well as discussing with the external auditors the significant weaknesses found during audits. Particularly, with respect to the information and internal control systems:

  - Verifying the adequacy and integrity of the internal control systems.
  - Supervising the preparation and the integrity of financial information relating to the Company and Group, reviewing compliance with legislative requirements and the proper application of accounting standards.
  - Regularly reviewing the Bank's internal control and risk management systems, so that the main risks are identified, managed and adequately reported.

- Supervising the process of preparing and presenting regulated financial information and, in particular; the legal requirements and the correct application of the generally accepted accounting principles.

The Board of Directors of BCC is charged with designing and implementing FRICS through the Directorate of General Supervision and Control; implementing the necessary measures for proper functioning of FRICS.

F.1.2. In particular, with regard to the process for preparing financing information, whether there are:

- Departments and/or mechanisms are responsible for (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for distributing them.

The Board of Directors, through the Chief Executive Officer, is responsible for designing the organizational structure in order to assign functions and resources as efficiently as possible. The Control General Management is responsible for ensuring that the organizational structure meets the demands of FRICS and for directing the process of exploiting the financial information, guaranteeing that it is correctly distributed to the markets.

The operating procedure manuals with their corresponding tasks; which are available to all Group employees through the Entity's intranet includes the organizational structure, clearing defining the corporate areas and the people responsible for them.

The process of preparing financial information is overseen by Corporate Financial Management and Reporting, in collaboration with the Corporate Accounting and Tax Department. These units are responsible for the BCC's financial information and for consolidating the Group's accounting consolidation process, with clearly delimited functions and responsibilities, separating the preparation and reporting of financial information from control. Specifically, their mission is to design, evaluate and direct the accounting and internal control system, as well as the Group's management information systems in order to guarantee the sufficiency, consistency and operation of accounting processes and that the financial statements are prepared and reported in a timely manner.

Specifically, they have the following mission:

- Define accounting criteria and policies for the recognition and measurement of transactions, pursuant to prevailing legislation at all times.

- Define the internal Chart of Accounts for all the Group's entities and the hierarchical pyramid applicable to the use of each account.

- Control the correct application of the stipulated accounting policies, by means of either automated processes or manual processes performed by the departments to which accounting functions are delegated.

- Coordinate the update and validation process applied to the Financial Information Internal Control System (FIICS), in collaboration with the people directly responsible for the areas involved.

- Control the accuracy, reliability and coherence of financial information with respect to the defined accounting policies, issuing the reports necessary to allow a correct interpretation.

- Oversee the reporting of financial information within legally stipulated deadlines, performing the final review of information to be published before it is sent to the relevant bodies for approval and publication in the market or submission to supervisory bodies.

Technology Management is also involved in the Group's Financial Information Internal Control System, performing functions designed to:

- Guarantee the security and efficiency of the financial information storage systems and the applications used to generate and edit the information.

- Formalise agreements to outsource the above-mentioned systems and application, overseeing compliance with agreed service levels.

  Ensure that there is documentation describing the systems, applications and processes involved in the generation and edition of financial information and that it is sufficient for the performance of the audit and control functions.

- Code of conduct, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analysing non-compliance and proposing corrective/disciplinary actions.

The Group has a Code of Conduct approved by the BCC´s Board of Directors containing a compendium of ethical principles and values intended to guide the conduct of employees, managers and members of the Group's governing body. In particular, there is a specific section on financial information and recording operations.

The Code covers aspects such as professional conduct which must be guided by legality, loyalty and good faith, personal dignity, non-discrimination, confidentiality, integrity, transparency, objectivity, responsibility, efficiency, quality, professionalism, security and environmental protection.

This document is available on the Entity's website and intranet. The Corporate Regulatory Compliance department is responsible for updating it, publishing it and making it available to the people affected by it, as well as promoting and coordinating the necessary training activities in collaboration with Corporate Human Resources.

It is also the responsibility of the Corporate Regulatory Compliance department along with Corporate Audit to enforce compliance with the Code, handle cases of non-compliance and propose the pertinent corrective measures and penalties to the Control Committee.

The contents of the Code were distributed to all employees on the intranet. In addition, the new employees must sign the Code.

Code of Conduct training consists of an e-learning course following by a questionnaire test.

- There is a system in place for employees to report financial or accounting irregularities to the Audit Committee, as well as breaches of the Code of Conduct and irregular activities within the organisation.

  The Group offers a means for employees to confidentially report violations of the Code of Conduct as well as financial and accounting irregularities or irregular or fraudulent activities of any kind with the organisation. This allows employees to report financial and accounting irregularities to the Audit Committee.

  The reports are channelled through an email that is accessible to all Group employees. Internal Audit is responsible for processing the reports received and is under the obligation to guarantee the confidentiality of the information.

- Periodic training and refresher courses are offered to the people involved in preparing and reviewing financial information, as well as evaluating FRICS. These courses touch on accounting standards, internal audit and control and risk management.

  The General Directorate of Human Resources is responsible for: (i) determining and verifying that the resource structure is sufficient for effective implementation of the FRICS, (ii) define the training plan for the staff involved in the functions of generation and control of financial information, and (iii) direct and execute the training actions contained in the defined plan.

  The Group has a Financial Education School which is committed to the organisation's social responsibility and the professional development of its employees with a view to reinforcing their financial education and guaranteeing that they are qualified to advise customers.

  There is also an Annual Training Plan that contains the courses to be offered to the Branch Offices and Central Service. Specifically, there are certain mandatory internal training courses that cover the following topics: Abusive market practices, prevention of money laundering, personal data protection, insurance laws, MIFID and occupational risk prevention. The courses are offered by Central Services personnel and all employees involved in the preparation of financial information, in addition to the above courses classified as mandatory, may receive special accounting-financial training at the request of their area directors.

Special training is offered to the employees in charge of generating the Bank's financial information. In 2016, the course offered and the number of attendees was as follows:

- o External course on “Accounting of Financial Statements" which was attended by 34 people.
- o External course on "Banking Accounting" which was attended by 39 people.

F.2 Risk assessment in financial reporting

Report on the following:

F.2.1. State the principle characteristics of the risk identification process, including the risks of error or fraud, in terms of

- Whether the process exists and is documented.

The Entity has built a specific tool to identify material areas and relevant processes which addresses risks of error and fraud that could significantly affect the Group’s financial information. This tool, the “Map of financial information risks”, supports a process comprising the following phases:

a) Breakdown of consolidated balances by origin.
b) Material assessment of the balance that is broken down.
c) Assessment of qualitative aspects.
d) Determination of the critical nature of the balance with respect to the financial information.

The entire process is documented in the manual prepared by the Group, entitled “Manual of Policies for Identifying relevant Processes/Areas and Risks affecting the FIICS”.

- Whether the process covers all of the objectives of financial reporting (existence and occurrence; integrity; assessment; presentation, disclosure and comparability; and rights and obligations) and whether it is updated and how frequently.

  The tool was designed taking all of the objectives of financial reporting contained in the Internal Control Document on Financial Reporting for Listed Entities issued by the CNMV into account (existence and occurrence, integrity, assessment, presentation, disclosure and comparability, rights and obligations).

  Whether the criteria for all types of risk to be identified that are included in the design of the tool are both quantitative and qualitative. Apart from considering the identification of fraud and error risk affecting published financial information, it also takes into account the effects of other types of risks, such as operational, technological, financial, legal, reputational or environmental risks.

  The process of identifying the material areas and relevant processes takes place at least once a year using the most recent financial information Risk assessments are also conducted when circumstances arise that had not been identified previously and which reveal possible errors in the financial information or when there are significant operational changes that could give rise to new risks, including situations involving changes in the Group's structure such as changes in the consolidated companies or business lines or other relevant events.

- The existence of a process for identifying the scope of consolidation, taking into account the possible existence of complex business structures, instrumental entities or special purpose vehicles, among other aspects.

The Group has a procedure in place for updating and validating the scope of consolidation that is overseen by the Business Participation Unit. A form is sent to each investee to be filled out with the information needed to determine the consolidation scope and process.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

  As explained above, the process does take into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

- Which governing body supervises the process.

  Any serious risks that are identified, including those related to financial information, are reported to the Audit Committee and the Board of Directors' Risk Committee.

F.3 Control activities

State whether the following exists and, if so, describe the main characteristics:

F.3.1. Procedures for reviewing and authorising financial information and description of the FRICS to be reported to the stock markets, and persons responsible for the documentation that describes the activity flows and controls (including those relative to the risk of fraud) of the different types of transactions that can have a material effect on the financial statements, including closing procedures and special reviews of the most relevant judgments.

In relation to the specific control activities which are implemented for the purpose of mitigating the risk arising from possible errors, inaccuracies or irregularities in the financial information, the Group has a list of manuals, procedures and accounting policies which are constantly being developed and updated, along with revision and control processes that include:

- Consolidated Financial Statements closing procedure. The Group has specific procedures for closing balances sheets, which is the responsibility of the Financial Reporting and Management Unit.
- The general technological controls established by the Group at the IT Department, physical security, logical security, maintenance and development levels.
- The controls in place for the preparation of consolidated financial information are based on i) the controls contained in the tool used to reconcile the information received ii) controls of the information provided by Group companies and consolidation adjustments iii) controls of temporary differences.
- In addition, the financial statements are validated by correlational controls defined by the Spanish Central Bank to ensure the consistence of the information. These controls are executed by the tools used for reporting to the Spanish Central Bank.
- The process for issuing relevant judgments, estimates, assessments and forecasts relative to goodwill, the useful lives of tangible and intangible assets, the value of certain financial (non-liquid) assets, impairment losses on tangible and intangible assets, the value of awarded assets which are reviewed and controlled by the BBC´s Accounting and Fiscal Control Department.

Critical estimates, projections, judgements, accounting policies and assumptions are those that are subject to complexity or uncertainty, or that depend on decisions taken outside and inside the financial function and that have a significant impact on the figures and information presented in the financial report and in the Group's other periodic public information, such that modifications also cause relevant changes to the information reported.

The Group has an action plan for generating formal, standardised documentation for the areas and processes identified as relevant within the Group and which includes processes such as year-end close and consolidation and making relevant judgments, estimates and forecasts, among others.

The Group has a review and authorisation procedure in place for the financial information reported to the markets, the frequency of which is determined by law and which is prepared by the Corporate Financial Information area under the supervision of the BBC´s Accounting and Fiscal Control area.

The Audit Committee is also involved in the review process, reporting its conclusions on the financial information as presented to the governing body. This is based on the external auditor's review and the different reviews conducted by Internal Audit to evaluate the adequacy of the different controls on the generation of financial information (as indicated in section F.5.1 below). Ultimately, the General Assembly is responsible for approved the governing body's performance each year along with the balance sheet, income statement and the application of any funds available for distribution.

The description of FRICS is reviewed not only by the Corporate Accounting and Control Area and the Internal Audit Area but also by the governing bodies mentioned above as part of the information reported to the markets periodically.

F.3.2. Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the entity's relevant processes in relation to the preparation and publication of financial information.

The IT Unit is responsible for supporting and maintaining the operations, communications and data management systems, one of its main functions being the study of the systems and standards that make it possible to guarantee the correct level of data and program protection and recovery, ensuring compliance with the regulations and the legally required security measures. As for the IT Security Unit, it is responsible for proposing the data security measures and for application policies. These measures include the existence of adequate access control to applications and systems for adequate role segregation.

The Group has an application development standard that complies with CMMi. This regulation allows the IT systems that are developed to work as intended. This, in turn, minimizes the possibility of error in the process of generating the financial information.

The Group has a Disaster Recovery Plan for the areas involved in the CNMV reporting process. The Plans covers the parent company's information systems where the financial reporting information is prepared.

Finally, the Group has a backup policy that ensures that a daily a backup copy is made of critical environments.

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

The Group uses the services of independent third parties to obtain certain valuations, calculations and estimations used to generate the individual and consolidated financial statements which are published in the securities markets, such as, actuarial calculations and assets appraisals and valuations.

The identification of relevant financial reporting areas outsourced to third parties is integrated into the methodology used by the Group to identify processes and areas that affect the financial information.

Policies applied to supervise and manage the activities outsourced to third parties and to approve suppliers are contained in the manuals prepared by the Group, which address:

- Types of services that may be outsourced and related criteria and conditions.
- Controls in place for services outsourced and the business continuity and service recovery plan.
- Procedures for the accreditation of and award of services to external providers.
- Approval criteria for contracting services with external providers.
- Approval claim and renewal procedures.

F.4 Reporting and communications

State whether the following exists and, if so, describe the main characteristics:

F.4.1. A specific function responsible for defining accounting policies and keeping them up to date (accounting policy area or department) and resolving questions or conflicts arising from their interpretation, keeping the lines of communication open with the people responsible for operations within the organisation as well as a manual of accounting policies that is kept up to date and distributed to the entity’s operating units.

The BCC´s Regulatory Compliance Unit is responsible for informing the affected departments of changes to the regulations as they occur. It is the accounting and fiscal control unit responsible for setting and interpreting the Entity's accounting policies.

In any event, the accounting policies are updated whenever there is a regulatory change that requires and whenever there is a new decision that could impact them, but only in those cases where there is a certain amount of flexibility.

To perform this function the director of the unit stays abreast at all times of the legislative changes that are about to take place through the circulars and bulletins issued by the UNACC, the technical reports issued by experts in the field and by reviewing the changes published by the CNMV and in the BOE and ICAS on a daily basis. Regulatory changes are studied and analysed to determine their impact on the entity and external experts are consulted as needed, communicating these changes and proposing the necessary actions.

The Director of the Accounting and Fiscal Control Area is responsible for answering any questions or settling conflicts regarding the interpretation of accounting policies, keepings the lines of communication open with the different areas of the parent company and Group subsidiaries involved in preparing financial information.

All the financial information is prepared in accordance with the Group's accounting policies and criteria; the FRICS envisages the definition of these policies and criteria in the Accounting Policies and Procedures Manual, which contains the Group's accounting policies and explains how they must be applied to specific operations.

The accounting policies set out in the manual are based on the application of the standards stipulated in applicable regulations (IFRS, IAS, Bank of Spain Circular 4/2004), which does not mean that the Group does not have its own accounting criteria but that they are limited to the application of the general criteria stipulated in the accounting standards as applicable in each specific case, so as to cover all the Group's transactions.

The body responsible for preparing and updating the accounting policies is the Accounting and Tax Control Unit, which forms part of BCC's General Audit Area.

As a necessary supplement to this manual and as the accounting function is decentralised, BCC's Accounting and Tax Control Unit prepares, custodies and updates an inventory of Accounting Delegations containing a card for one, including the following details, among other information:

- Identity of the delegate body
- Accounting events delegated
- Accounts affected, including reasons for debits and credits
- IT transactions that support the entry, if any
- Reconciliation and control procedures applied.

The delegate bodies must in turn prepare Operating Manuals containing detailed descriptions of the procedures employed in the course of their work.

The Group's subsidiaries and affiliates draft their own accounting procedures and policies in a decentralized way; however, they must necessarily meet the requirements of the standards and guidelines issued by the Director of Accounting and Fiscal Control, which oversees them.

It should be noted that the subsidiaries and affiliates prepare their own financial information based on format previously agreed with the parent so that the format of the financial statements is as homogeneous as possible, which in turn facilitates the preparation of the Group's consolidated information. Because of this, they must comply with the accounting standards and principles issued by the Director of Accounting and Fiscal Control.

The subsidiaries prepare their own financial information using formats previously agreed with the parent entity so as to obtain financial statements in a format that is as consistent as possible, thus facilitating the preparation of the Group's consolidated information. They must comply with the accounting criteria and standards issued by BCC's Accounting and Tax Control Unit.

F.4.2. Mechanisms for gathering and preparing standardised financial information that apply to and are used by all business units and that support the primary financial statements and notes to the financial statements, as well as detailed information on FRICS.

The BCC has applications and IT systems for aggregating and standardising the individual accounting performed by the Group's areas and subsidiaries, with the necessary level of breakdown and the ability to generate the necessary individual and consolidated financial statements and other financial information published in the markets.

The parent company's accounting information comes essentially from the Financial Server, where the information originating in the different applications of each business area is uploaded daily.

Each subsidiary is responsible for its own accounting using the established systems and for reporting the accounting information in keeping with the General Chart of Accounts format. They are, therefore, responsible for preparing their own financial statements under the supervision of the Accounting and Fiscal Control Unit.

The Financial Reporting and Management Unit is responsible for aggregating, standardising and reporting the information using common systems and applications, the Office of Control of Financial Information is responsible for its review.

The Financial Reporting and Management Unit is responsible for ensuring the quality of the information to be incorporated and incorporated into both the SIRBE application for the preparation of the Individual Financial Information of the Group entities and the application "COGNOS Controller" to perform the automatic consolidation processes. Morover, the information of the associates is loaded in the application AMS (Associates Management System) and is the Directorate of Financial and Management Information of BCC in charge of importing that information and dump it in the mencioned application of Cognos Controller.

F.5 Supervision of systems operations

Describe the main characteristics of:

F.5.1. An internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the FRICS evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports his or her findings, and whether the entity has an action plan with the corrective measures referred to in the evaluation, considering the impact on the financial information.

The Internal Audit area periodically presents to the Audit Committee the results of its verification and validation work along with the associated action plans. The procedure is the same for the work performed by the external auditors or any other independent expert.

The minutes of the Audit Committee meetings contain evidence of the Committee's supervisory function, in terms of planning (approval of annual operating plan, appointment of people responsible for executing the plan, among other things) and the review of the results obtained.

The internal audit function lies with the Entity's Audit Department, which depends functionally on the Audit Committee.

The Audit Committee relies on Internal Audit to undertake the supervision of the Internal Control System and FRICS. The functions of Internal Audit are to conduct scheduled reviews of the risk control systems in place, the internal operating procedures and internal and external regulatory compliance.

The Group's Internal Audit area prepares an annual audit plan which is approved by the Audit Committee. The audit plan is prepared with the objective of reviewing the Entity's critical risks.

The Audit plan includes the revision of key areas of the financial statements as well as key controls of these areas. The general controls of reporting systems are also reviewed.

If during the Audit revisions weaknesses or other improvement aspects are detected an action plan is proposed, agreed with the areas involved defining the people responsible and the time scheduled for its implantation. The Internal Audit area tracks compliance with these actions plans.

F.5.2. State whether there is a discussion procedure whereby the auditor (pursuant to the terms of NTA), the internal audit area and/or other experts are able to report any serious weaknesses found in the internal control system while reviewing the annual accounts or performing other tasks. Also, state whether there is an action plan for correcting or mitigating any weaknesses encountered.

The Audit Committee meets with the external auditors at least two or three times a year previous to the formulation of the Annual Accounts and to present the most important results of their work.

It is the responsibility of the Audit Committee, in accordance with the Audit Committee Rules, (Article 6.1), to discuss with the external auditor all audit-related issues and any other communications foreseen in auditing laws and technical Auditing standards. It will also act as a liaison between the external Auditor and the Governing Body.

The cited regulation also states that the Audit Committee may be aided by independent experts as needed (art. 19).

Article 13 of the Audit Committee Rules specify that the Committee will meet on an ordinary basis at least 4 times a year. In each of these sessions, the Director of Internal Audit explains the conclusions of its work, informing the Committee of the weaknesses detected as well as the action plans proposed by the different areas to address these weaknesses.

F.6 Other relevant information

F.7 External Auditor's Report

Report on:

F.7.1. Whether the FRICS information reported to the markets is reviewed by an external auditor, in which case the entity should include the auditor's report. Otherwise, a reason should be given for not having done so.

Certain aspects of FRICS are in the process of being formalised in the implementation plan and they are expected to be finished in 2017 . For this reason, the BCC has decided not to submit FRICS to the external auditor for review.

The BCC will evaluate whether or not to submit the FRICS information released to the market in 2017 to the external auditors for review.

G) OTHER INFORMATION OF INTEREST

If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.

It may also be included any additional information or clarifications relative to the preceding sections of the report, to the extent that they are relevant and non-repetitive.

In particular, please indicate whether the company's corporate governance is bound by any law other than Spanish law and, if so, indicate any information the company is obligated to submit which is not covered in this report.

The company should also indicate whether it voluntarily adheres to other codes of ethics or good practices at the international or other levels and, if so, state the name of the code and the date of accession.

Previously, on 25 February 2014 the Grupo Cooperativo Cajamar was established. Banco de Crédito Social Cooperativo, S.A. became the new parent entity of the Group. Cajamar Caja Rural, Sociedad Cooperativa de Crédito participates in the Group, and, as the order entities of the Group, it has delegated significant management and control competencies in the Bank. The different board committees, risk management and control system, and the FRICS named in this report are those of the parent entity, and therefore, the Group as a whole (Cajamar Caja Rural, Sociedad Cooperativa de Crédito still has an Executive Committee).

- Clarifying of parts A.1, A.2 and A.3

These sections were note completed because they do not apply to the Entity. There is no significant shareholder or any with a "notable influence" (which entails the possibility of appointing or removing a member of the Entity's Governing Body or proposing the appointment or removal of a member of the Entity's Governing Body).

- Clarification of part C.1.2

The number of meetings held by the Governing Board of the Entity during 2016 has been thirteen. One director has missed three meetings and another director has missed one.

With the exception of Mr. Jose Luis Heredia Celdrán and Mr. Bartolomé Viudez Zurano who is considered an executive director, the rest of the directors are considered external for the following reasons:

- They do not perform executive management functions and they are not employees of the Entity or its group.
- They do not control significant shares in the Entity (see previous note).
- They have not been designated as independent or proposed for appointment as such by the Appointment and Compensation Committee.

- Clarification of part C.1.5

The “Per diems” field includes both directors’ fees and meeting attendance premiums

- Clarification of part C.1.6

Since May 2016, Mr. Heredia Celdrán has been Vice-President of the Board of Directors of the Entity, being replaced as General Director by Mr. Francisco José González López.

- Clarification of part C.2.2

The Entity does not have at the reference date of this report delegated commissions of the Governing Board other than the Executive Committee.

At the date of this report the Entity has only an Executive Committee appointed by Governing Body. On 27 February 2014 risk management function, internal audit fuction and nominations and compensation function were cancelled. Therefore, BCC is the only Entity of the Group that has appointed an Audit Committee, Risk Committee and Nominations and Compensations Committee. All the entities of the Group are in the scope of these committees.

- Clarification of parts D.1, D.2 and D.3

These sections were not completed due to the fact that in 2015 there were no operations that must be reported under Order EHA/3050/2004 of 15 September on related party transactions that must be reported by companies that issue stocks traded on official secondary markets.

- The Company is not bound by any laws other than Spanish law related to the annual corporate governance report.

- The Entity joint the UN Global Compact on 9 Agoust 2006. The Entity supports the Global Compact and helps their 10 principles broadcasting, based on human rights, labour rights, environmental rights and fight corruption.

At the national level, the Entity's Executive Committee resolved to adhere to the Code of Good Practices for the feasible restructuring of home mortgage debts, in its initial version dated 12/03/2012. Moreover, in the same Executive Committee meeting, the Entity resolved to adhere to the successive versions of the Code contained in Law 1/2013 (14 May) (resolution of 17/06/2013) and Royal Decree-Law 1/2015 (27 February) (resolution of 23/03/2015), respectively.

As participant of Grupo Cooperativo Cajamar, the Entity supports and is committed with all the Parent Entity´s inititatives.

- During 2014 BCC has joint the following international proyects:

• Women's Empowerment Principles
• United Nations Caring for Climate
• Carbon Disclosure Project (CDP)

At the national level, in April 2015 BCC adhered to the Code of Good Tax Practices approved by the Forum of Large Companies created by the Tax Agency, having complied with the Code's recommendations during 2015 and during 2016 it has complied with the recommendations contained in the aforementioned Code.

Finally, the non-financial information, of a social and environmental nature, is included in the Integrated Report that is published annually and is carried out under the criteria established by the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI 4.0) and the principles of the AA1000 standard (AcoutAbility Principles AA1000APS), as well as according to the requirements established by Global Compact in the Progress.

This Annual Corporate Governance Report was approved by the Board of Directors at the session held on 13 March 2017.

Indicate any directors or members of the governing body who voted against or abstained from approving this Report.

The Board of Directors of Grupo Cooperativo Cajamar, in the meeting held on 14 March 2017; hereby prepare the Group´s Consolidated Financial Statements for the year ended 31 December 2016 and the Directors´Report.

This document is signed by the Board of Directors´members. The Board of Directors´secretary signs all the papers comprising Annual Accounts and Directors´Report.

Madrid, 14 March 2017