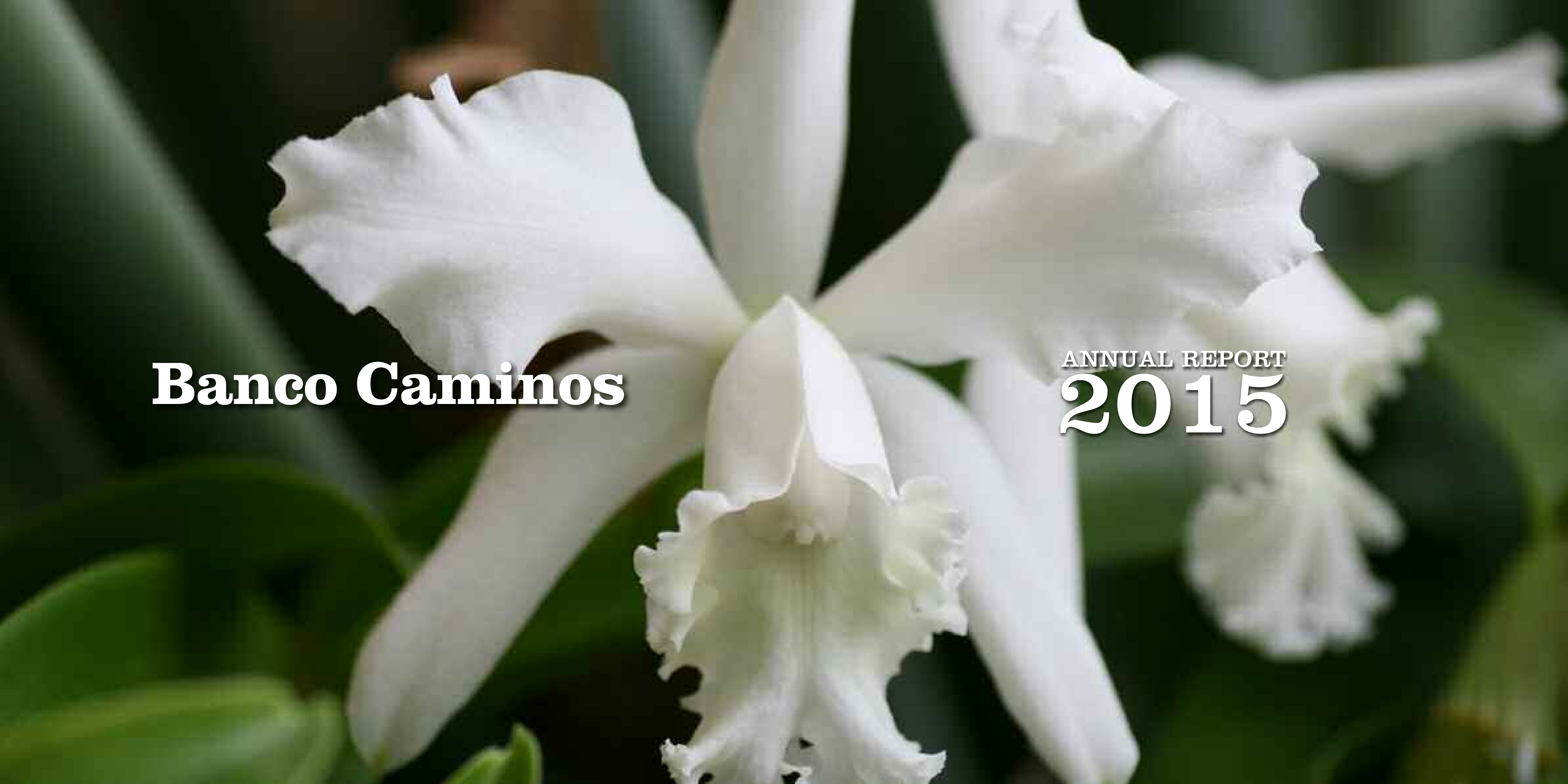

# Banco Caminos

ANNUAL REPORT
2015

# CONSOLIDATED FINANCIAL STATEMENTS 2015

# 1.BACKGROUND

## 1.1.ACTIVITY AND LINE OF BUSINESS OF THE PARENT'S ENTITY.

Banco Caminos, S.A. (hereinafter, the Parent, Entity or Bank) is a savings and credit cooperative which was created on February 2, 1977 under the name Caja de Crédito del Colegio de Ingenieros de Caminos, Canales y Puertos Sociedad Cooperativa. On June 18, 1990 its current name was adopted as per the agreement approved by the Entity's General Ordinary and Extraordinary Assembly.

At the Extraordinary General Assembly held on June 29, 2007, the shareholders approved:

• The formal agreement by virtue of which Caja Caminos, Sociedad Cooperativa would be transformed from a Cooperative to a private limited company (a Bank), taking on the name of Banco Caminos, S.A. and completely modifying its corporate bylaws.

• The Entity's capital was increased by 141,584 shares as per the following breakdown:

| Recipients: | Shares |
|---|---|
| All partners | 33,370 |
| Partners holding Series C shares | 79,898 |
| Personnel and directors | 28,316 |
| Total | 141,584 |

• The Entity moved its registered office to Calle Almagro, 8 in Madrid.



The shares were issued with respective nominal values and share premiums of €60.11 and €120.22 per share, representing a capital increase of €8,511 thousand and a share premium of €17,021 thousand. The subscription period for the capital increase was July 15, 2007 through October 15, 2007; the latter date being the payment date.

On October 15, 2007 the capital increase, fully subscribed and paid up, was taken to public deed.

Following the capital increase described above, the Entity's share capital stood at €21,132 thousand, represented by a total of 351,553 shares.

The prior agreements were ratified by public deed on February 8, 2008, including the following information:

• The transformation of Caja Caminos, Sociedad Cooperativa de Crédito from a cooperative to a private limited company (a bank) has not affected its legal status.

• Share capital was fully subscribed and paid up and former shares had been duly canceled. The Entity's shareholders received one new share for each old share they had held. To maintain the same proportion, the Entity's share capital, as of the aforementioned date, was represented by 351,533 registered shares with a nominal value of €60.11 each.

• The Entity's equity capital is sufficient to maintain its capital adequacy ratio.

• The conversion agreement was authorized by the Directorate General of the Treasury and Financial Policy on November 30, 2007.

• The Obligatory Reserve Fund of €7,250 thousand (as per the balance sheets approved at June 28, 2007 and February 7, 2008) was transferred to the Cooperativa Almagro Sociedad Cooperativa de Consumidores y Usuarios as approved by the shareholders at the Extraordinary General Assembly (Note 21.1).

Caja Caminos, Sociedad Cooperativa de Crédito was officially removed from the Register of Savings and Credit Cooperatives on February 25, 2008, under class number 1429-SMT, given that the Parent Entity was converted into a private limited company named Banco Caminos, S.A.

On March 10, 2008, following the filing of the related public deed with the Mercantile Register, Banco Caminos, S.A. was officially registered with the Register of Banks and Bankers under entry 0234 and tax identification number A28520666.

Subsequently, in 2009, 2010, and 2011, changes were made in the Entity's share capital (Note 21.1).

The Entity generally engages in receiving funds from the public in the form of deposits, loans, financial assets under repurchase agreements or other similar instruments which entail repayment obligations, and uses said funds to grant loans, credit facilities and other similar operations in order to serve the financial needs of customers. Thus, it may carry out all the types of asset, liability and service operations that other credit entities are entitled to perform. Although the Entity’s operations are carried out primarily throughout Spain, it may also legally perform them abroad.

The Parent´s registered address is Almagro, 8, Madrid, It has 2 branches in Madrid and one in Barcelona and 75 employees (2014: 58 employees).

At December 31, 2015 and 2014, the Entity is subject to the general regulations governing the activity of credit institutions.

The Parent does business under the name of Banco Caminos, S.A. and is governed by the bylaws approved at the Extraordinary General Assembly (June 29, 2007), as subsequently amended, and the criteria set forth in the Spanish Corporate Enterprises Act and other applicable legal provisions.

The Entity is subject to legislation regulating the following matters, among others:

• Maintenance of a minimum level of funds in the central national bank of a euro country to cover the cash adequacy ratio.

• Maintenance of a minimum level of equity. Prevailing legislation stipulates that said institutions must maintain sufficient equity to cover assumed risks. Compliance with minimum equity requirements is carried out at the consolidated level.

• Annual contribution to the Deposit Guarantee Fund, which serves, aside from the Entity’s equity, as an additional guarantee to creditors to cover up to €100,000 in customer deposits.

• Contribution to the National Resolution Fund stipulated in Spanish Law 11/2015, of June 18, 2015, along with its implementing legislation, namely Royal Decree 1012/2015, of November 6, 2015, transposing Directive 2014/59/EU, of May 15, 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms, into Spanish law.

The Board of Directors of Banco Caminos, S.A., Parent of the Group, authorized these consolidated financial statements for issue at a meeting held on March 31, 2016, as witnessed by the director signatures on the last page. The consolidated financial statements are currently pending approval by the shareholders in general meeting and it is expected that they will be approved without significant changes. The shareholders approved the 2014 consolidated financial statements of Banco Caminos in general meeting on June 26, 2015.

# 1.2.BANCO CAMINOS GROUP.

The Banco Caminos Group (hereinafter the Group) comprises Banco Caminos, S.A. and its subgroups which form a consolidated group as per prevailing legal provisions.

The following table shows the entities that, as of December 31, 2015, compose the consolidated Group, indicating their current registered address, activity and percentage held by the Parent:

**Banco Caminos Group entities:**

| | | | Ownership interest | | |
|---|---|---|---|---|---|
| Company | Location | Business activity | Direct | Indirect | Auditor |
| Bancofar, S.A. | C/ Fortuny, 51. Madrid | Credit institution | 81.27% | - | Ernst & Young |
| Calldurbon, S.L.U. (*) | C/ Almagro, 8. Madrid | Communication serviices | - | 100.00% | J.V.R. y Asociados Auditores |
| Cartera Dinámica, S.I.C.A.V. , S.A. | C/ Almagro, 8. Madrid | Investment management firm | 94.06% | - | J.V.R. y Asociados Auditores |
| Corporación Banco Caminos, S.L.U. | C/ Almagro, 8. Madrid | Securities holding | 100.00% | - | Ernst & Young |
| Eurocartera 600, S.I.C.A.V., S.A. | C/ Almagro, 8. Madrid | Investment management firm | 87.62% | - | J.V.R. y Asociados Auditores |
| FAM Caminos, S.A. (*) | C/ Almagro, 42. Madrid | Insurance broker | - | 80.00% | Eudita AH Auditores 1986 |
| Gabinete de Estudio y Gestión Jurídica, S.A. (*) | C/ Almagro, 8. Madrid | Asset acquisition, management and sale | 64.76% | 35.24% | Eudita AH Auditores 1986 |
| Gefonsa, S.V., S.A.U. (*) | C/ Fernando el Santo, 3. Madrid | Broker dealer | - | 100.00% | Ernst & Young |
| Gespensión Caminos, E.G.F.P., S.A.U. (*) | C/ Fernando el Santo, 3. Madrid | Pension Fund Management | - | 100.00% | Eudita AH Auditores 1986 |
| Gestifonsa, S.G.I.I.C., S.A.U. (*) | C/ Almagro, 8. Madrid | UCITS management | - | 100.00% | Eudita AH Auditores 1986 |
| Maxlan, S.A.U. | C/ Almagro, 8. Madrid | Land development, management, purchase and sale | 100.00% | - | Eudita AH Auditores 1986 |
| Servifonsa, A.I.E. (*) | C/ Almagro, 8. Madrid | Administrative, financial and accounting services | 87.83% | 12.17% | Ernst & Young |
| Sistemcam, S.A.U. (*) | C/ Almagro, 8. Madrid | IT Services | - | 100.00% | Eudita AH Auditores 1986 |
| Sync 2000, S.I.C.A.V., S.A | C/ Almagro, 8. Madrid | Investment management firm | 19.68% | - | J.V.R. y Asociados Auditores |

(*) Indirect equity investments held through Corporación Banco Caminos, S.L.U.



All of these companies have been fully consolidated in the accompanying financial statements, except for the Parent's interest in Sync 2000, S.I.C.A.V., S.A., which is accounted for using the equity method.

The fiscal year for all of the companies coincides with the calendar year.

The breakdown of the capital and reserves and acquisition cost of the companies included in the consolidation process, as of December 31, 2015, is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| Company | Nominal value | Equity | Retained earnings | Other equity | Carrying amount |
| Bancofar, S.A. | 61,240 | 94,036 | 2,120 | 91,916 | 43,069 |
| Calldurbon S.L.U. | 12 | 123 | 2 | 121 | 12 |
| Cartera Dinámica, S.I.C.A.V., S.A. | 3,978 | 4,401 | (372) | 4,773 | 3,752 |
| Corporación Banco Caminos, S.L.U. | 30,000 | 32,765 | 674 | 32,091 | 30,000 |
| Eurocartera 600, S.I.C.A.V., S.A. | 4,423 | 3,229 | 1,120 | 2,109 | 4,227 |
| FAM Caminos, S.A. | 481 | 3,654 | 665 | 2,989 | 5,384 |
| Gabinete de Estudio y Gestión Jurídica, S.A. | 24,858 | 29,644 | 29 | 29,615 | 24,874 |
| Gefonsa, S.V., S.A.U. | 4,214 | 8,226 | 911 | 7,315 | 3,585 |
| Gespensión Caminos, E.G.F.P., S.A.U. | 6,972 | 10,668 | 906 | 9,762 | 9,203 |
| Gestifonsa, S.G.I.I.C., S.A.U. | 601 | 2,776 | 829 | 1,947 | 694 |
| Maxlan, S.A.U. | 7,224 | 8,798 | (194) | 8,992 | 8,520 |
| Servifonsa, A.I.E. | 250 | 250 | - | 250 | 248 |
| Sistemcam, S.A.U. | 601 | 1,100 | 40 | 1,060 | 602 |
| Sync 2000, S.I.C.A.V., S.A | 664 | 3,801 | 24 | 3,777 | 657 |

The 2014 data for the Group's subsidiaries and associates are provided in Appendix I.

The Group is comprised of a group of financial and non-financial entities which, together with other entities, form a group whose objective is to offer a wide variety of specialized products and services to customers.

Note 15 outlines the most significant changes in the Parent's investments in Group companies in 2015 and 2014.

**Acquisition of an interest in Bancofar, S.A. and accounting for the related business combination**

As detailed in Note 15, a purchase agreement was entered into on March 24, 2014 covering the sale by Bankia, S.A. (the seller) of 70.2% of the shares comprising the share capital of Bancofar, S.A. to Banco Caminos, S.A. (the buyer) for €36.8 million. The purchase agreement additionally entitled the rest of Bancofar, S.A.'s minority shareholders to join the agreement and sell their shares to Banco Caminos, S.A. The transaction's close was subject to delivery of the closing conditions itemized in the purchase agreement and the performance by Bancofar, S.A. of certain actions prior to the close. The share purchase agreement was raised to public deed on July 1, 2014. In the end of 2014 exercise, the Entity had acquired 78.92% of the share capital of Bancofar, S.A. from Bankia, S.A. and other minority shareholders. During 2015 exercise the Bank has acquired new shares, reaching 81.27% of the share capital of Bancofar as December 31, 2015.

As a result, the acquisition date - the date on which Banco Caminos, S.A. took effective control of Bancofar, S.A. - was July 1, 2014.

On the acquisition date, the acquirer recognized the identifiable assets acquired and the identifiable liabilities assumed in the business combination at their fair value, with the following exceptions:

• The non-current assets acquired that qualified as "Non-current assets held for sale" as of the acquisition date; these assets were measured at fair value less costs to sell;

• Deferred tax assets and liabilities, which were measured at the amounts expected to be paid to or recovered from the tax authorities based on applicable tax regulations.

Fair value was determined by the acquirer with the support of an independent expert report. No significant differences between the carrying amounts and fair values of the assets acquired and the liabilities assumed were identified at the end of the 12-month business combination measurement process.

The fair values of the identifiable net assets acquired as at the date of the business combination are summarized below:



| | Thousands of euros |
|---|---|
| **ASSETS:** | **814,011** |
| Cash and balances with central banks | 3,508 |
| Financial assets held for trading | 32 |
| **Loans and receivables** | |
| Loans and advances to credit institutions | 33,115 |
| Loans and advances to other debtors | 748,629 |
| Other financial assets | 5,748 |
| Non-current assets held for sale | 285 |
| Property and equipment | 2,802 |
| Intangible assets | 139 |
| Tax assets | 17,335 |
| Prepayments and other accrued income | 2,418 |
| **LIABILITIES:** | **722,483** |
| **Financial liabilities at amortized cost** | |
| Deposits from central banks and credit institutions | 160,438 |
| Deposits from other creditors | 543,959 |
| Other financial liabilities | 12,576 |
| Provisions | 229 |
| Tax liabilities | 902 |
| Accruals and other deferred income | 4,379 |
| **Total identifiable net assets at fair value** | **91,528** |

The most significant assumptions used in measuring the assets and liabilities acquired and assumed are summarized next:

• Loans and advances to credit institutions: these facilities correspond to short-term accounts held at Spanish banks so that their fair value coincides with their carrying amount.

• Loans and advances to other debtors: two main factors were taken into consideration when determining the fair value of the items comprising this heading:

- Whether the current interest rate earned on the various items comprising the heading was in line with market rates and, if not, the impact of such differences on the market value of the portfolio.

- Whether the loan-loss provisions sufficiently covered the expected loss on the portfolio.

As a result of this analysis it was concluded that the rates were reasonably in line with prevailing market rates, which meant there was no need to adjust their carrying amount to reflect their fair value. It was also determined that the aggregate balance of loan-loss provisions recognized (general plus specific) was reasonably equivalent to estimated expected loss.

• Deposits from central banks and credit institutions: these accounts are set up on terms that reflect the conditions on which Bancofar can obtain wholesale funding in the market.

• Deposits from other creditors: these deposits are arranged with customers on market terms and mature in the short term so that their fair value coincides with their carrying amount.

Banco Caminos, S.A. paid a price of €41,836 thousand to acquire 78.92% of Bancofar, S.A.

As required under prevailing accounting rules, the acquirer checked that it had correctly identified the assets acquired and the liabilities assumed; it also reviewed all of the procedures and techniques that were used to derive the corresponding measurements and estimates in respect of the identifiable net assets acquired and the consideration delivered. In the wake of this review, the negative difference between the fair value of the net assets acquired and the price paid - €30,385 thousand - was recognized as a gain under “Gain on a bargain purchase” in the 2014 consolidated income statement.





# 2.BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 2.1.BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.

The consolidated financial statements of the Group have been prepared from the accounting records of the entities which comprise it in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) in order to give a true and fair view of the equity, financial position and results of the Group as of December 31, 2015, in addition to changes in equity and cash flows for the year then ended, The valuation principles and criteria are described in Note 3. All obligatory accounting principles and criteria with a significant effect on the preparation of the consolidated financial statements were applied.

The Group’s consolidated financial statements for the year have been prepared from its accounting records and are presented in accordance with Bank of Spain Circular 4/2004, of December 22, to give a true and fair view of the Group’s equity and financial position at December 31, 2015, as well as the results of its operations, changes in equity and cash flows for the year then ended.

These consolidated financial statements have been prepared in accordance with IFRS-EU, which do not differ significantly from the requirements set forth in Bank of Spain Circular 4/2004.

## 2.2.COMPARATIVE INFORMATION.

For comparative purposes, the Entity's directors have included for each of the figures disclosed in the accompanying consolidated financial statements, in addition to the figures for 2015, those corresponding to 2014. The information provided in these consolidated financial statements in respect of 2014 is presented solely to allow the reader to compare the figures with those of 2015 and accordingly does not constitute the Parent Entity's 2014 consolidated financial statements.

When comparing the 2015 figures year-on-year, the reader should consider the impact of the business combination detailed in Note 1.2.

## 2.3.USE OF JUDGMENTS AND ESTIMATES WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.

The Parent's Directors are responsible for the information published in the consolidated financial statements. When preparing certain information included in the consolidated financial statements, the Directors have made judgments and estimates based on hypotheses which affect the application of accounting principles and policies, as well as the amounts corresponding to assets, liabilities, income, expenses and commitments shown therein. The most significant estimates used to prepare these consolidated financial statements relate to:

• Losses due to the impairment of financial assets (see Notes 3.7, 3.10, 3.11 and 3.13).

• Losses due to the impairment and useful life of property, plant and equipment and intangible assets (see Notes 3.10 and 3.11).

• The hypotheses used for making actuarial calculations to value liabilities and commitments corresponding to post-employment remuneration (see Note 3.14).





• The fair value of specific financial assets which are not traded on official OTC markets (see Note 3.5).

• The estimation of the need or otherwise to recognize provisions and the amount of the provisions to be recognized, if any (Notes 3.6 and 3.16).

• The recoverability of deferred tax assets (Note 24).

The estimates and hypotheses used are based on historic experience and other factors considered the most reasonable at the time and are reviewed periodically. If said estimates are to be modified as a result of such reviews or future events, the related effects are to be recorded in the income statement of that period and subsequent periods.

## 2.4.CONSOLIDATION CRITERIA.

Given that the accounting principles and valuation criteria applied when preparing the Group's 2015 and 2014 consolidated financial statements may differ from those used by the companies comprising the group, the most significant principles and criteria have been standardized to adapt them to IFRS requirements.

**Group entities**

Group entities are considered to be those which form a single decision-making unit with Banco Caminos and correspond to those in which Banco Caminos has the power to determine the financial and operating policies. Banco Caminos assumes it has control when it holds the majority of the voting rights, is empowered to appoint or dismiss the majority of the members of the board of directors, may avail itself of the majority of the voting rights by virtue of agreements entered into with other partners or has exclusively designated the majority of the members of the board of directors with its votes.

In accordance with IFRS, Group entities have been accounted for using the full consolidation method.

All significant balances and transactions between the consolidated entities have been eliminated in the consolidation process. The fair value of assets, liabilities and contingent liabilities, as well as the results of subsidiaries which correspond to non-controlling interests, are recognized in Banco Caminos Group equity and related results are taken to “Non-controlling interests” and "Profit (loss) attributed to non-controlling interests" in the accompanying consolidated balance sheet and consolidated income statement, respectively. Nevertheless, when the group as a whole has entered into agreements by virtue of which it is obliged to give cash or other assets to all or part of the non-controlling interests of its subsidiaries, the equity of non-controlling interests is shown under "Other financial liabilities” on the consolidated balance sheet.

The consolidation of the results generated by Banco Caminos Group entities acquired during a year is carried out taking into consideration only the results corresponding to the period between the acquisition date and the closing date of said year. Likewise, the results generated on the disposal of subsidiaries during a year are consolidated only taking into consideration the results corresponding to the period from the beginning of the year to the disposal date.

**Jointly controlled entities**

“Jointly controlled entities” are defined as entities that are not subsidiaries but are controlled jointly by two or more unrelated entities; they form part of the definition of “joint ventures,” which are deemed to exist when two or more entities (“ventures”) are bound by a contractual agreement that establishes joint control.

The Entity consolidates the financial statements of the companies classified as jointly controlled entities using the proportional consolidation method by aggregating the consolidated balance sheet balances and consolidated income statement balances, and the subsequent eliminating the balances and effects on the operations carried out with group entities based solely on the percentages of the Group’s investment in the capital of these entities.

At December, 31 2015 and 2014, the Group held no investments in jointly controlled entities.



**Associates**

Associates are entities in which Banco Caminos individually or together with the rest of the group entities has a significant influence, and are not subsidiaries or jointly controlled entities. Banco Caminos is considered to have a significant influence when, for example, it is represented on the Board of Directors or comparable governing body of the investee company, participates in the policy-making process, including those relating to dividends and the distribution of other concepts, carries out significant transactions with the investee company, shares top management personal and provides essential technical information, although this significant influence is usually represented by a direct or indirect investment of 20% or more of the voting rights of the investee company.

In the consolidated financial statements, associates are accounted for using the equity method. Banco Caminos’ investments in associates are recognized at cost on the acquisition date and subsequently as a portion of the equity which the investments represent in each of the associates. When the fair value of investments in associates at the acquisition date differs from the carrying amount as per the associate’s balance sheet, related results for the year are first adjusted for impairment, disposal or other uses of assets and liabilities attributable to the group, then the value of the investment is increased or decreased and recognized in the consolidated income statement under “Share in profit (loss) of entities accounted for using the equity method.” Valuation adjustments made subsequent to the acquisition date are reflected as increases or decreases in the value of the investment, as applicable. The amount corresponding to such variances is recognized under "Valuation adjustments" to equity in the consolidated statement of changes in equity.

No other entities in which voting rights are less than 20% were considered associates to the Group during the years 2015 and 2014.

## 2.5.CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES.

On June 26, 2013, Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the “Regulation (EU) 575/2013”) and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the “Directive 2013/36/EU”) were approved, repealing regulations on solvency in force until then. They came into effect on January 1, 2014 and will be phased in gradually until January 1, 2019.

Regulation (EU) 575/2013 and Directive 2013/36/EU regulate capital requirements in the European Union and include the recommendations set out in the Basel III capital regulatory framework or agreement, specifically:

• Regulation (EU) 575/2013, which is directly applicable to Member States, contains prudential requirements for credit institutions and covers, inter alia, the following:

- The definition of elements of eligible capital, establishing requirements for hybrid instruments to be included and limiting the eligibility of minority interests.

- The definition of prudential filters and deductions of items in each capital levels. In this respect, the Regulation includes new deductions compared to Basel II (deferred tax assets, pension funds) and introduces changes to existing deductions. Nevertheless, it notes that the Regulation establishes a phase calendar until its final full implementation l between 5 and 10 years.

- Establishment of minimum requirements, with three levels of own funds: a Common Equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of 8%.

- The requirement that financial institutions calculate a leverage ratio, defined as Tier 1 capital divided by total exposure unadjusted for risk. The disclosure requirement will be applicable



from January 1, 2015 onwards. The final leverage ratio will be tested during the monitoring period until 2017 when the Committee will decide on the final definition and calibration.

• The aim and main purpose of Directive 2013/36/EU, which must be transposed into national legislation by the Member States according to their criteria, is to coordinate national legislation regarding the access to the activity of credit institutions and investment firms and their governance and supervisory framework. Directive 2013/36/EU includes, inter alia, additional capital requirements to those established in the Regulation (EU) 575/2013, which will be phased in gradually until 2019. Failure to comply will imply restrictions on the discretionary distributions of profit, specifically:

- A capital conservation buffer and a countercyclical capital buffer, extending the regulatory framework of Basel III, to mitigate pro-cyclical effects of financial regulation. All financial institutions must maintain a common capital buffer of 2.5% above Common Equity Tier 1 and an institution-specific countercyclical buffer above Common Equity Tier 1.

- A systemic risk buffer. For global systemically important institutions and other systemically important institutions to mitigate systemic or macroprudential risks; i.e. risks of disruptions in the financial system with the potential to have serious negative consequences for the financial system and the real economy in a specific Member State.

In addition, Directive 2013/36/EU, within the powers attributed to supervisory authorities, stipulates that the competent authority can make credit institutions hold higher levels of capital than those required in the aforementioned Directive.

Regarding Spanish regulations, the new legislation is aimed at transposing European rules at local level:

• Royal Decree-Law 14/2013, of November 29, 2013, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions, partially transposes Directive 2013/36/EU into Spanish law and empowers the Bank of Spain to exercise the powers attributed to the competent authorities in Regulation (EU) 575/2013. In addition, this Royal Decree-Law includes a transitional provision designed to ease the effects of repealing the principal capital requirement (Circular 7/2012), whereby until December 31, 2014, the Bank of Spain may prevent or restrict any distribution of Tier 1 capital components that were eligible for compliance with the principal capital requirements when the absolute level of the distributions through 2014 exceed the legal minimum requirement at December 31, 2013.

• Bank of Spain Circular 2/2014, of January 31, 2014, for credit institutions regarding the various regulatory options contained in Regulation (EU) no. 575/2013. The purpose is to establish, in accordance with the powers granted, which options of those contained in Regulation (EU) 575/2013 and attributed to national competent authorities will be required of consolidable groups of credit institutions and credit institutions, whether part of a consolidable group or not, by January 1, 2014 and to what extent. To this end, this Circular the Bank of Spain makes use of some of the permanent regulatory options provided for in Regulation (EU) No. 575/2013, generally speaking with the aim of extending the way certain matters were treated under Spanish legislation up until effectiveness of the directive, justified in some instances by the business model traditionally pursued by the Spanish banks. This does not preclude the future exercise of other options attributed to the competent national authorities in Regulation (EU) No. 575/2013, mainly in relation to options that are not general in nature, via direct application of Regulation (EU) No. 575/2013 and without requiring substantiation in the form of a Bank of Spain circular.

• Law 10/2014, of June 26, 2014, on the organization, supervision and solvency of credit institutions, continues the transposition of Directive 2013/36/EU IV initiated by Royal Decree Law 14/2013, of November 29, 2013 and recasts certain national provisions in place at the time regarding the organization and discipline of credit institutions. This law introduces, inter alia, an express obligation for the first time on the part of the Bank of Spain to present an annual Supervisory Program setting out the content and how it will perform its supervisory activity, together with the actions to be taken in accordance with the outcome. This program must include a stress test at least once a year.

The Group uses the following methods when calculating its minimum capital requirements:



• To calculate its risk-weighted capital requirements in respect of credit, counterparty, dilution and delivery risk: the standardized method.

• To calculate its capital requirements in respect of position, exchange rate and commodity risk: the standardized method.

• To calculate the capital requirements for operational risk: the standardized approach.

• To determine overall exposure to credit valuation adjustment risk: the standardized method.

• The Group did not have any exposure to settlement-delivery risk, risk on account of general fixed costs, risk associated with large positions in the trading book or other significant risk factors at either year-end.

The following table provides a detailed breakdown of the Group's capital levels at December 31, 2015 and 2014 and its capital requirements calculated in accordance with the Regulation (EU) 575/2013 and Directive 2013/36/EU:

| | 31/12/2015 | | 31/12/2014 | |
|---|---|---|---|---|
| | Thousands of euros | % | Thousands of euros | % |
| Tier I (1) | 155,746 | 11.90 | 109,588 | 8.70 |
| Tier II (2) | 14,880 | | 19,373 | |
| Total capital | 170,626 | 13.04 | 128,961 | 10.24 |
| Total own funds requirement | 1,308,834 | | 1,259,954 | |

(1) Includes share capital, reserves and non-controlling interests eligible for Common Equity Tier 1 capital purposes, less own shares, goodwill and intangible assets, and other transitional adjustments to Additional Tier I capital.

(2) Includes the general loan-loss provisions associated with the portfolios valued using the standardized approach.

At both reporting dates, the Banco Caminos Group's capital ratios were above the minimum thresholds stipulated by the Bank of Spain by virtue of application of article 68.2.a of Spanish Law 10/2014.

The Entity's strategic objectives regarding the management of own funds are the following:

• To comply at all times with prevailing regulations regarding minimum equity requirements both at the Group and individual company level.

• To strive for maximum efficiency in the management of own funds to ensure that, together with other return and risk variables, the use of own funds is considered a fundamental variable when analyzing the Group's investment decisions.

• Increase the weight of tier-one own funds over the Group's total own funds.

## 2.6.MINIMUM RESERVE RATIO.

At December 31, 2015 and 2014, and throughout 2015 and 2014, the Bank met the minimum reserve ratio required by applicable Spanish legislation.

## 2.7.DEPOSIT GUARANTEE FUND.

The Bank contributes to the Deposit Guarantee Fund for credit institutions.

At a meeting held on December 2, 2015, the Management Committee of the Deposit Guarantee Fund, as provided for in article 3.2 of Spanish Royal Decree 2606/1996, of December 20, 1996, on credit institution deposit guarantee funds, as amended by Royal Decree 1012/2015, of November 6, 2015, determined that the annual contribution to the deposit guarantee pool corresponding to 2015 would be 1.6 basis points and the annual contribution to the securities guarantee pool would be 2 basis points, both of which as a percentage of the basis for calculating contributions as of December 31, 2015 (in 2014, the annual contribution was 2 basis points for both regimes).



The contribution to the Deposit Guarantee Fund is made each year on the basis of the Bank's guaranteed deposit balance. In addition, in the last two years, the following extraordinary contributions have been required:

• In accordance with the stipulations of article 6.2 of Royal Decree Law 16/2011, in its meeting of July 30, 2012, the Management Committee of the Deposit Guarantee Fund agreed upon an extraordinary contribution from registered entities to restore equity in the Deposit Guarantee Fund. The extraordinary contribution was estimated based on contributions at December 31, 2011, and will be settled via equal annual quotas during the next ten years. It will also be deductible from the ordinary annual contribution the Bank may make in each of those years. The initial amount corresponding to the Group's two credit institutions in respect of this contribution amounted to €3,030 thousand (of which €1,803 thousand corresponded to the Parent and €1,227 thousand to Bancofar, S.A.). At December 31, 2014, the Group had recognized an asset on the consolidated balance sheet in the amount of €1,859 thousand (2014: €2,149 thousand, corresponding exclusively to the Parent) pending release to profit and loss in the coming years and on the liability side of the consolidated balance sheet, a sum of €1,941 thousand (2014: €2,208 thousand, corresponding exclusively to the Parent) equivalent to the present value of the sum pending payment to the Deposit Guarantee Fund.

• In addition, new paragraph 5 of additional provision five of Royal Decree-Law 21/2012, of July 13, 2012, enacted by means of article 2 of Royal Decree-Law 6/2013, of March 22, 2013, stipulated an exceptional contribution to the Deposit Guarantee Fund of 0.3% of the deposits held by the member entities at December 31, 2012, requiring the first instalment (two-fifths of the total) to be made within the first 20 business days of 2014, net of any deductions provided for under the scope of this same piece of legislation. The total amount of the second tranche, €2,118 thousand, was recognized in the 2014 consolidated income statement; €925 thousand of this sum was pending payment at December 31, 2015 (year-end 2014: €1,849 thousand).

As a result of all of the foregoing, in 2015, the expense incurred by the Group in respect of contributions made to the Deposit Guarantee Fund totaled €1,919 thousand (2014: €6,987 thousand, corresponding exclusively to the Parent Entity); this sum is presented under "Other operating expenses" in the accompanying consolidated income statement (see Note 25.3).

Elsewhere, Spanish Law 11/2015, of June 18, 2015, along with its implementing legislation, namely Royal Decree 1012/2015, of November 6, 2015, transposes Directive 2014/59/EU, of May 15, 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms, into Spanish law. The above law regulates the creation of the National Resolution Fund which must be endowed with an amount equivalent to 1% of guaranteed deposits by December 31, 2024 by means of contributions by the credit institutions and investment firms established in Spain.

Individual contributions are calculated on the basis of each entity's respective share of the aggregate of the following concept: total liabilities excluding own funds and guaranteed deposits; this figure is subsequently adjusted for each entity's risk profile. Based on the foregoing, the contribution corresponding to the Group in respect of 2015 was €260 thousand and has been recognized in the 2015 consolidated income statement.

## 2.8.CHANGES IN ACCOUNTING POLICIES AND REGULATORY DEVELOPMENTS.

Changes in accounting policies, due either to amended standards or to the Parent Entity's Directors' decision to vary applicable policies retroactively, require that adjustments be made to the amounts of the items affected. As a result, the corresponding offsetting entries are recognized against equity as per the oldest balance sheet at January 1 for which comparative information has been published to ensure that the carrying amounts of the corresponding items are shown as if the new policies had always been applied. New accounting policies are not applied retroactively when it is impracticable or the regulation which modifies them stipulates the date as of which they are to be applied. Misstatements from prior years arising as a result of omissions, inaccurate data or mistakes made when using the information available for the period are to be corrected in keeping with the above-mentioned rules for changes in accounting policies applied.





### Standards and interpretations applied in the current period

The following are the standards and interpretations which have gone into effect in 2015; these standards and interpretations have not had a material effect on the Company's financial position or on the results of the Group:

**i. Standards and interpretations adopted by the European Union applicable in 2015**

The accounting policies used in the preparation of the consolidated financial statements for the year ended December 31, 2015 are the same as those applied to the consolidated financial statements for the year ended December 31, 2014 as none of the amended standards nor the new interpretation applicable for the first time this year had an impact on the Group.

**ii. Standards and interpretations published by the IASB and adopted by the European Union but not mandatory in 2015**

The Group intends to apply the standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union as at the date of authorizing the accompanying consolidated financial statements for issue when they are effective, to the extent applicable to the Group. The Group is currently analyzing their impact. Based on the analysis performed to date, the Group estimates that their first-time application will not have a significant impact on the consolidated financial statements, except for the standards, interpretations and amendments summarized below.

**"Annual Improvements to IFRS", (2010-2012 Cycle). These improvements to IFRS, (which apply in the European Union in annual periods beginning on or after February 1, 2015), include the following amendments:**

- **IFRS 8 "Operating Segments":** IFRS 8 "Operating Segments": The amendment requires entities to disclose the factors that are used by Management to identify its reportable segments when operating segments have been aggregated. In addition, the total of the reportable segments' assets must reconcile with the entity's total assets.

• **IAS 24 "Related Party Disclosures":** Amounts paid or payable to management entities or entities that provide management personnel service should be disclosed, as these are deemed to be related parties.

• **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018, with early adoption permitted). The final version of IFRS 9, published on 24 July 2014, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

There are important differences to the current standard regarding financial assets, including, inter alia, approval of a new classification model based on only two categories: amortized cost and fair value; the elimination of the current classifications of the held-to-maturity investments and available-for-sale financial assets categories; a single impairment method only for assets carried at amortized cost; and the non-separation of embedded derivatives in financial asset contracts. The final version of the standard introduces an additional classification and measurement category, FVTOCI or fair value through changes in other comprehensive income for debt instruments that meet certain requirements.

Regarding financial liabilities, the categories proposed in IFRS 9 are the same as those currently included in IAS 39. Therefore, there should not be any major differences except for the change affecting liabilities that an entity chooses to measure at fair value, in which it will present the portion of the change in fair value related to changes in its own credit risk in valuation adjustments rather than in the income statement.

Regarding impairment, it replaces the "incurred loss" model of IAS 39 with the "expected credit loss" model, meaning that it will no longer be necessary for a "loss event" to occur before credit losses are recognized.

Regarding hedge accounting, the new model attempts to align the accounting treatment with risk management, maintaining the three types of hedges in the current standard (cash flow hedges, fair value hedges and hedges of a net investment in a foreign operation), but includes significant changes compared to IAS 39 in various issues, such as hedged items, hedging instruments, the time value of options and effectiveness assessment.



• **IFRS 15 "Revenue Recognition"** (effective for annual periods beginning on or after 1 January 2017, with early adoption permitted). The core principle of IFRS 15 is that a company should recognize revenue to depict the transfer of promised goods or services to the consumer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. An entity recognizes revenue in accordance with this core principle by applying five steps, which can be summarized as follows: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price; and recognize revenue when a performance obligation is satisfied.

IFRS 15 includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

• **IAS 16 "Leases".** Published in January 2016, IFRS 16 implies significant changes for lessees as most leases will give rise to the recognition of a right-to-use asset and a lease liability in respect of the sums payable. For lessors, the new standard implies few changes with respect to the currently-applicable IAS 17.

This new standard repeals the prior lease accounting rules. It must be applied using a fully or modified retrospective approach in annual periods beginning on or after January 1, 2019. Early adoption is permitted. This standard has yet to be adopted by the European Union. The Group plans to adopt the new standard on the required application date availing of the modified retrospective transition provision.

• **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"** (effective for annual periods beginning on or after 1 January 2016, with early adoption permitted). This amendment clarifies when the use of a revenue-based depreciation or amortization method may be appropriate. The amendments clarify that the use of revenue-based methods for calculating the depreciation of an asset is not appropriate, as the revenue generated from an activity that includes the use of the asset reflects factors other than the consumption of the economic benefits of the asset. It indicates that, in general, revenue is not an appropriate basis for measuring the consumption of the economic benefits of an intangible asset, but this presumption can be rebutted in limited circumstances.

**“Annual improvements to IFRSs” project (2012-2014 cycle) (effective for annual periods beginning on or after 1 January 2016, with early adoption permitted). The improvements introduced include the following amendments:**

• **IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”**. Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements under IFRS 5. This amendment must be applied prospectively.

• **IFRS 7 “Financial instruments: Disclosures”**. This amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of whether servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

• **IAS 19 “Defined Benefit Plan: Employee Contributions”**. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

• **Amendments to IAS 1 “Presentation of Financial Statements”**.The amendments to IAS 1 were designed to further encourage companies to use judgements in determining the information to disclose in their financial statements, which line items must be disaggregated in their financial statements and which additional headings and subtotals should be included in the statement of financial position and the statement(s) of profit or loss and other comprehensive income, and where and in what order the notes should be presented.



• **Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”**.

These amendments address issues that arose as a result of application of the exception provided for in IFRS 10 for investment entities. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Also, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow an investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

According to the amendments approved, they must be applied retrospectively for the annual periods beginning on or after January 1, 2016, early application being permitted; however, they have yet to be adopted by the European Union. These amendments are not expected to have any impact on the Group.

• **Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”**. These amendments clarify how to recognize deferred tax assets in respect of debt instruments measured at fair value. They must be applied retrospectively in annual periods beginning on or after January 1, 2017, although earlier application is permitted. These amendments will not have an impact on the Group which does not have any debt instruments measured at fair value.

• **Amendments to IAS 7 “Statement of Cash Flows: Disclosure Initiative”**. These amendments require the Group to present information about the changes in its financial liabilities such that readers can better understand the changes in the Group's debt. The amendments are intended to help financial statement users evaluate the changes in financial liabilities arising from financing activities, including changes arising from cash flows and non-cash changes (such as foreign exchange differences). The amendments provide examples in template form for reconciling the opening and closing balances of financial instruments entailing flows and classifying as financial activities, excluding equity instruments and distinguishing between changes arising from cash flows and non-cash changes. They are applicable in annual periods beginning on or after January 1, 2017, although earlier application is permitted. The presentation of prior-year comparative information is not required. Accordingly, these amendments will not affect the Group until 2017, which is when it will have to provide these disclosures.

Early adoption of the accounting standards is permitted. However, the Group elected not to adopt them for these consolidated financial statements. However, their potential impact is being considered by Group management. A reliable estimate of their potential impact is not possible yet; this will depend on the content of the text finally adopted by the European Union and on the composition of the Group and its assets at the time of application.





# 3.VALUATION PRINCIPLES AND CRITERIA

The main valuation principles and criteria applied to prepare the consolidated financial statements were the following:

## 3.1.PRINCIPLE OF GOING CONCERN AND ACCRUALS PRINCIPLE.

The information set forth in these consolidated financial statements has been prepared considering that the group will continue as a going concern in the foreseeable future and therefore, the directors have not applied the accounting standards used to determine the value of equity for total or partial transfer purposes or a hypothetical liquidation.

Except with respect to the cash flow statement, these consolidated financial statements have been prepared on an accrual basis, that is, transactions have been recorded at the moment the actual goods or services represented by them take place, regardless of when actual payment or collection occurs.

## 3.2.OFFSETTING BALANCES.

Debit and credit balances arising as a result of transactions are offset only when related contracts or applicable legislation envisage the possibility of offsetting them and the group intends to liquidate them at their net amounts or realize related assets and simultaneously pay the corresponding liabilities. Such balances are therefore presented at the corresponding net amount on the consolidated balance sheet. The Group had not offset any financial assets and financial liabilities at either year-end. Nor did it have enforceable rights to set-off assets and liabilities subject to master netting arrangements that have not been presented net at the end of either reporting period.

## 3.3.TRANSACTIONS IN FOREIGN CURRENCY.

The euro is considered the functional currency for the purposes of the preparation of these consolidated financial statements. Foreign currency is understood as any currency other than the euro.

Upon initial recognition, balances receivable and payable in foreign currency have been converted to euros using the spot exchange rate. Subsequent to initial recognition, the following rules are applied when converting balances denominated in foreign currency to euros:

• Monetary assets and liabilities are translated into euros using the exchange rates prevailing at each year-end.

• Non-monetary items measured at fair value are converted using the exchange rates at the date when the fair value was determined.

• Income and expenses are translated at the exchange rate prevailing on the date of the transactions.

Exchange differences arising as a result of converting balances in foreign currency are recorded in the income statement. At December 31, 2015 and 2014 the Group had no non-monetary items in foreign currency measured at fair value.

At year-end 2015, total assets expressed in foreign currency amounted to €12,856 thousand (2014: €11,458 thousand); and, total liabilities expressed in foreign currency amounted to €8,821 thousand (2014: €10,177 thousand).





## 3.4.RECOGNITION OF INCOME AND EXPENSES.

In general, income is recognized at the fair value of the item or service received or to be received less related discounts, credits and rebates. When delays occur with respect to actual receipt of goods or services, fair value is determined based on discounted future cash flows.

Income may be recognized in the income statement or statement of changes in equity provided that the following conditions are met:

• The amount may be measured reliably.

• The group will probably receive future economic benefits.

• The information is verifiable.

When there are uncertainties regarding the collection of an amount previously recognized as income, the amount whose collectability is improbable is recorded as an expense, not as a decrease in income.

The Group ceases to accrue interest on all debt instruments which have been individually classified as impaired as well as those for which impairment losses have been calculated collectively when related payments are more than three months overdue.

Interest and dividends are recorded in the income statement in keeping with the following criteria:

• Interest is recognized in the income statement based on the effective interest rate method;

• Dividends are recognized when the shareholders’ right to receive payment is established.

Independent of the above, outstanding interest and dividends accrued prior to the acquisition date of the instrument are neither included in the acquisition cost nor recognized as income.

## 3.5.FINANCIAL INSTRUMENTS.

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

The financial instruments issued by the Group, as well as their component parts, are classified on initial recognition as financial liabilities in accordance with the substance of the financial instrument when this is not consistent with its legal form.

Remunerations, changes in carrying amounts and losses relating to the repurchasing or refinancing of financial liabilities are recorded as interest expenses in the consolidated income statement. The cost of issuing financial liabilities is taken to the consolidated income statement in keeping with the effective interest rate method.

Financial instruments are recognized on the balance sheet only when the Group is a party to the contractual provisions of the instrument. The Group recognizes debt instruments such as loans and cash deposits as of the effective date on which the legal right to receive and legal obligation to pay arises, and financial derivatives as of related contract dates. Additionally, transactions carried out in foreign currency markets are recorded on the settlement date, and financial assets renegotiated on OTC markets in Spain are recognized at the contract date in the case of equity instruments and on the settlement date in the case of debt securities.

Financial instruments sold under repurchase agreements are not derecognized in the consolidated balance sheet. The amounts received for related sales are considered financing received from third parties and recognized as reverse repurchase agreements.

The Group's financial assets and liabilities are:

• Financing granted and received from other credit entities and customers regardless of their formal legal status;



• Securities, be they debt securities (bonds, debentures, and promissory notes) or equity instruments (shares);

• Derivatives: contracts whose returns are related to the changes in the value of an underlying asset (interest rate, exchange rate, or similar reference) which requires no or a small initial outlay, and is settled at a later date. In addition to generating gains or losses, derivatives can, under certain conditions, offset all or some of the underlying exchange or interest rate risk or the risk of changes in the fair values of associated balances and transactions.

**Own equity instruments**

Issuance, redemption and consideration received or delivered on own equity instruments are recorded directly against the Entity's equity and changes in value for such instruments are not recorded in the consolidated financial statements. The costs relating to this type of transaction are directly deducted from equity after any corresponding tax effect has been deducted.

Remunerations, changes in carrying amounts and losses relating to the repurchasing or refinancing of financial liabilities are recorded as interest expenses in the consolidated income statement. The cost of issuing financial liabilities is taken to the consolidated income statement in keeping with the effective interest rate method. Remuneration from capital having the nature of a financial liability classified as expenses is shown under a separate heading.

**Hybrid financial instrument**

The Group issues hybrid financial instruments which include a host contract that is not a derivative contract and a financial derivative contract known as an embedded derivative. If the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract which is not a derivative, if another instrument with the same conditions as those of the embedded derivative meets the definition of a derivative and if the value of the hybrid instrument is not measured at fair value through profit or loss, embedded derivatives are to be separated from their host contracts and treated separately for accounting purposes.

Upon initial recognition, the value of embedded derivatives that are separated from their host contracts and are options is obtained based on their own characteristics; and, those which are embedded non-option derivatives have zero value at initial recognition. When the Group is unable to reliably estimate the fair value of an embedded derivative, the carrying amount is estimated as the difference between the fair value of the hybrid instrument and that of the host contract provided that both values are considered reliable; if not, the Group may not separate the hybrid instrument into its components which are valued on the whole for accounting purposes as included in the portfolio corresponding to "Financial assets at fair value through profit or loss.” The non-derivative host contract is treated separately for accounting purposes.

## 3.5.1. Financial assets.

Financial assets are cash balances, deposits at central banks and credit entities, loans and advances to other debtors, debt securities, equity instruments acquired – except for those corresponding to group entities, jointly controlled entities and associates –, and derivatives used for trading and hedging purposes.

Financial assets are classified in the following portfolios for valuation purposes:

• **“Financial assets at fair value through profit or loss”** may be divided into two sub portfolios:

- Financial assets held for trading: This portfolio includes financial assets created or acquired that are held for the purpose of obtaining profit in the short term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. It also includes derivatives that are not accounted for as hedging instruments;

- Other financial assets at fair value through profit or loss: This portfolio includes hybrid financial assets which are not included in the held-for-trading portfolio and must be measured at fair value as a whole. Such assets are managed together with embedded derivatives



contracted to significantly reduce exposures due to variances in related fair values or with financial assets and derivatives in order to significantly reduce total exposure to interest rate risk.

• **“Available-for-sale financial assets”** includes debt securities which have not been classified as held-to-maturity investments or measured at fair value through profit or loss, and equity instruments of entities which are not group entities, associates or jointly controlled entities and which have not been classified as assets measured at fair value through profit or loss.

• **“Loans and receivables”** includes financial assets with fixed or determinable payments that are not quoted in an active market, that may or may not be designated at fair value and whose total initial investment the group expects to recover, other than because of credit deterioration. This heading includes loans and receivables from habitual credit activities such as cash disbursements pending repayment by customers in connection with any type of loan or deposit lent to other entities, and unlisted debt instruments contracted by commodity purchasers or users of services which are part of the group’s business activity.

• **“Held-to-maturity investments”:** includes debt securities with fixed maturity and fixed or determinable payments that the group has the positive intention and ability to hold to maturity at initial recognition and thereafter.

Financial assets are initially recognized on the consolidated balance sheet at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

There were no differences between the transaction prices and fair values of the financial assets recognized in 2015 and 2014.

Subsequent to initial recognition, the Group measures all financial assets - including derivatives which are assets - at fair value without deducting transaction costs relating to the sale of said assets or any other use, except for the following:

• Financial assets included under "Loans and receivables" and "Held-to-maturity investments" which are measured at amortized cost. The amortized cost of a financial asset is the amount at which it was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization taken to consolidated profit or loss using the effective interest rate method corresponding to any difference between the initial amount and the redemption value upon maturity, minus any reduction for impairment or change in measured value;

• Financial assets which are equity instruments whose fair value may not be reliably measured and derivatives (underlying assets) that are linked to and must be settled upon delivery of such financial assets that are valued at cost.

Financial assets which have been designated as hedged assets or hedging instruments are valued as indicated in Note 3.8.

The fair value of a financial instrument is the price which would be paid for it on a deep transparent organized market ("quoted price" or "market price"). The fair value of a financial instrument for which there is no market price is estimated using the current fair value of another instrument which is substantially the same as a reference or by comparison with other observable transactions in the same instrument on international markets, taking into consideration other factors that are likely to affect the instrument's fair value, especially risk-related factors inherent to the financial instrument.

The fair value of standard financial derivatives included in held-for-trading portfolios is considered its daily quote price which if unavailable on a given date due to exceptional circumstances is to be measured using methods similar to those applied when valuing derivatives traded on OTC markets. The fair value of derivatives traded on OTC markets is considered to be the sum of estimated future cash flows from the instrument discounted at the valuation date ("present value" or "marked-to-market value") by applying valuation methods for financial markets: "current net value" (CNV), option price valuation methods, etc.

The effective interest rate is the rate that exactly discounts estimated total future cash payments and receipts throughout the expected life of the financial instrument. The effective interest rate for fixed-interest financial instruments coincides with the contractual interest rate established upon acquisition plus any fees and points paid or received between parties to the contract that are an integral part of the effective interest rate. The effective interest rate for variable interest financial instruments coincides with the prevailing rate of return for all concepts until the indexed interest rate is first reviewed.

Financial assets are removed from the group's balance sheet when the contractual rights to related cash flows have lapsed, when the assets are transferred provided that related risks and gains are substantially transferred or when the control of the financial assets is transferred without substantially transferring or retaining related rights and gains. In the last case, when the control of the financial assets is not transferred, the assets are recognized based on the ongoing commitment, that is, at an amount equal to the group's exposure due to changes in the carrying amount of the financial assets transferred.

The carrying amount of financial assets is adjusted against the consolidated income statement when there is objective evidence of actual impairment (see Note 3.7).

### 3.5.2 Financial liabilities.

Financial liabilities include deposits from central banks and credit institutions, money market operations through counterparties, deposits from other creditors, debt certificates including bonds, trading and hedging derivatives, subordinated liabilities and short positions, among others.

Financial liabilities are classified as follows for valuation purposes:

• **"Financial liabilities measured at fair value through profit or loss".** This financial liability portfolio is comprised of the following two portfolios:

- Financial liabilities held for trading: These are financial liabilities issued for the purpose of repurchasing them in the near future. This portfolio includes short positions, financial liabilities which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives provided that they have not been designated as hedging instruments.

- Other financial liabilities at fair value through profit or loss: All the components of hybrid financial liabilities not included in the held-for-trading portfolio must be measured at fair value including life insurance linked to investment funds, when the financial assets that are linked to them are also measured at fair value through profit or loss.

At December 31, 2015 and 2014 there were no liabilities in this portfolio.

• **“Financial liabilities at amortized cost:”** this portfolio includes the financial liabilities not included in the above portfolios.

Financial liabilities are recorded at fair value upon initial recognition on the balance sheet. Subsequent to initial recognition, all financial liabilities are valued at amortized cost, except for:

• Those included under “Financial liabilities at fair value through profit or loss” which are to be measured at fair value, except in the case of derivatives whose underlying assets are equity instruments which are valued at cost given that their fair value may not be reliably estimated.

• Financial liabilities arising from the transfer of assets that do not meet the criterion for derecognition from the balance sheet of the transferring entity, given that said entity retains control of the financial asset regarding which related risks and rewards are not transferred or are substantially retained.

• Financial liabilities designated as hedged liabilities or hedging instruments which are recognized in keeping with the criteria and rules set forth in section 3.8 of this Note.

Financial liabilities are removed from the group’s consolidated balance sheet when they are extinguished or transferred to another party. The difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss immediately.





### 3.5.3.Gains and losses on financial instruments.

Gains and losses on financial instruments are recognized in keeping with the following criteria depending on the portfolio they have been classified to:

• A gain or a loss on financial instruments measured at fair value through profit or loss is directly recorded in profit or loss distinguishing for non-derivative instruments the part corresponding to accrued returns on the instrument, which is recorded as interest or dividends, as applicable, and the remaining amount which is recorded as a gain or loss on financial transactions. The interest on the instruments included under this heading is calculated by applying the effective interest rate method.

• For financial instruments carried at amortized cost, a gain or a loss is recognized when the financial instrument is derecognized, or impaired in the case of financial assets. The interest on the financial instruments included under this heading is calculated by applying the effective interest rate method.

• For available-for-sale financial assets, the following criteria are applied: (i) Accrued interest is calculated in keeping with the effective interest rate method, and when applicable, accrued interest is recognized in consolidated profit or loss, (ii) Impairment losses are recognized in accordance with the criteria described in this note, (iii) Exchange differences are recognized in consolidated profit or loss when they relate to monetary financial assets and are temporarily taken to equity as "valuation adjustments" when they relate to non-monetary assets until they are removed from the consolidated balance sheet, at which time such differences are taken to consolidated profit or loss, (iv) Other changes in value are recognized directly through the group's equity until the financial asset is removed from the consolidated balance sheet.

## 3.6.FINANCIAL GUARANTEES.

Contracts by virtue of which the group is required to make specified payments if a specified debtor fails to make payment are considered financial guarantee contracts. The principal contracts included in this memorandum item at the end of the consolidated balance sheet, are financial and technical guarantees, deposits, irrevocable letters of credit issued or confirmed by the group, and insurance contracts, as well as credit derivative contracts regarding which the Group acts as the issuing guarantor.

Financial guarantees are classified in accordance with the insolvency risk attributable to the customer or transaction and the need to recognize provisions, if any, to cover the credit risk is analyzed (Note 19); any such provisions are estimated using similar criteria to those used to determine impairment losses on the financial assets classified within the "Loans and advances" portfolio, as detailed in Note 3.7.

## 3.7.IMPAIRMENT OF FINANCIAL ASSETS.

The carrying amount of financial assets is adjusted against the consolidated income statement when there is objective evidence of actual impairment.

**Debt instruments**

There is objective evidence that debt instruments (loans and debt securities) are impaired when an event has occurred after the initial recognition of the instrument that has an impact on related estimated future cash flows.

Objective evidence of impairment is determined individually for significant debt instruments and collectively for groups of instruments that are not individually significant.

Impairment losses on debt instruments carried at amortized cost are measured as the difference between the carrying amount and the present value of estimated future cash flows or market value in the case of listed instruments provided that it is considered sufficiently reliable. Estimated impairment losses are recognized in the consolidated income statement using an offsetting account to adjust the value of related assets. When recovery of impairment loss is considered remote, the carrying amount of the asset is reduced by that of the loss.



In the case of "Available-for-sale financial assets", impairment losses are measured as the difference between acquisition cost (net of any principal repayment and amortization) and present fair value, less any impairment loss on the financial asset previously recognized in consolidated profit and loss account. When there is objective evidence of a decline in fair value due to impairment, underlying capital losses recognized as "Valuation Adjustments" to "Equity" are immediately taken to the consolidated income statement.

Impairment losses recovered on debt instruments are recognized in the consolidated income statement of the period in which they occur.

The Group ceases to accrue interest on all debt instruments which have been individually classified as impaired, as well as those for which impairment losses have been calculated collectively when related payments are more than three months overdue.

To determine impairment, the Group classifies risks as standard, substandard, doubtful or defaulted.

The Group classifies as impaired assets (doubtful exposures) instruments, as well as contingent exposures and commitments, for which there is objective evidence of impairment which refers basically to the existence of unpaid balances, non-compliance issues, refinancing and data which evidences the possible irrecoverability of total agreed-upon future cash flows or when the carrying amount of equity instruments may not be fully recovered.

When the recovery of any amount recorded is considered remote, the group removes it from the consolidated balance, independent of any related actions which may be undertaken to collect such amounts.

The present value of estimated future cash flows is calculated by discounting the effective interest rate applicable when the transaction is contracted at a fixed rate or the effective interest rate applicable on the revaluation date when the transaction is contracted at a variable rate. Estimated future cash flows are calculated taking into account the guarantees, types of risks and the circumstances in which collection is expected to take place.

A debt instrument is considered impaired due to insolvency when there is evidence of the borrower's financial difficulty (a risk attributable to the borrower) or when there is evidence of country risk materializing due to specific circumstances in a country where the borrowers reside.

To determine impairment losses for this type of asset, the group evaluates potential losses as follows:

• Individually: for all significant assets and for those which are not significant and not included in groups of assets with similar characteristics: the ages of overdue amounts, types of guarantees, sectors of activity, geographic areas, etc.

• Collectively: Assets which have not been identified individually in standard groups are grouped by counterparty, status of operation, guarantees, ages of amounts overdue and impairment losses (identified losses) are established for each group. These losses are to be disclosed in the consolidated financial statements in keeping with a delinquency schedule based on the group's experience and the sector.

• In addition to specific identified losses, the Group covers inherent losses incurred with respect to unidentified risks such as impairment (normal risk) with a general coverage which corresponds to statistical losses yet to be assigned to specific operations that is determined taking into account historical impairment experience and other circumstances known at the financial statement date.

Given that the Group does not have sufficient statistical information on its historic experience with respect to impairment losses, it has used, at least, the parameters established by the Bank of Spain prepared based on its experience and available information on the sector, which is periodically updated to reflect trends in the conditions of the sector and the market scenario.

Such inherent impairment losses incurred are calculated by applying percentages to debt instruments which are not measured at fair value through profit or loss and contingent exposures classified as normal risks. Related percentages vary for instruments classified to the various risk categories (no, low, medium-low, medium-high and high risks).





**Equity instruments**
There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered.

In the case of equity instruments measured at fair value and included in the “Available-for-sale Financial Asset Portfolio”, impairment losses are measured as the difference between acquisition cost and present fair value, less any impairment loss previously recognized in profit or loss. Underlying capital losses recognized directly as “Valuation Adjustments” to “Equity” are recorded in the consolidated income statement when such losses are due to a decline in the fair value resulting from impairment. If, in a subsequent period, impairment losses are partially or totally recovered, a “Valuation Adjustments” to “Equity” is recognized for the related amount in the consolidated balance sheet.

In the case of equity instruments carried at cost in the “Available-for-sale Financial Instrument Portfolio”, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment is measured taking into account the equity of the investee entity, adjusted by tacit capital gains arising at the valuation date except those corresponding to valuation adjustments to cash flow hedges. Such losses are recorded in the consolidated income statement as a direct decline in value of the equity instrument and may not be recovered at a subsequent date unless the instrument is sold.

## 3.8.HEDGE ACCOUNTING.

The Group uses financial derivatives (swaps, forward contracts, futures, options and combinations of these instruments) drawn up through standard contracts traded on organized markets ("standard derivatives") and those traded bilaterally with counterparties on over-the-counter markets (“OTC derivatives”).

The Group contracts these instruments in order to enable clients to manage risks inherent to their activities, manage risks relating to the group's own positions, assets and liabilities ("hedging derivatives"), or turn a profit on related price fluctuations.

All financial derivatives (including contracts initially subscribed for hedging purposes) which do not meet the conditions to be considered hedges are treated as "trading derivatives" for accounting purposes.

A financial derivative is considered a hedge when it:

• Covers one of the following three types of risk: 1) Changes in the value of assets and liabilities due to fluctuations in the price, interest rate and/or exchange rate applicable to the position or balance to be hedged ("fair value hedge"), 2) Variability in estimated cash flows on financial assets and liabilities, commitments and highly probable forecast transactions ("cash flow hedge"), and 3) Net investments in foreign operations ("hedge of net investments in foreign operations).

• Eliminates efficiently any risk inherent to the hedged item or position throughout the duration of the hedge, which implies that at the inception of the contract, the hedging item is highly effective ("prospective effectiveness") and there is sufficient evidence that the hedge will be effective throughout the life of the hedged item or position ("retrospective effectiveness").

• Is possible to obtain adequate documentation that the financial derivative contract was entered into specifically for hedging purposes, including how the Group planned to obtain and measure an effective hedge in accordance with its risk management policy.

The Group considers a hedge to be highly effective when at the inception date and throughout the life of the hedge, the changes in cash flows or fair value of the hedged items are fully offset by the changes in cash flows and fair value of the hedging instrument. A hedging relationship is considered highly effective when the actual results of the hedge are within the range of 80% to 125%

If at any time financial derivatives do not meet the conditions to be considered hedges, they are to be reclassified as trading derivatives.



Hedges may be applied to individual items or balances as well as to financial asset and liability portfolios. In the second case, the financial assets or liabilities in the portfolio must expose the group to the same type of risk.

In order to ensure effectiveness the Group arranges hedge relationships in which main terms and conditions of the hedging items and hedged items are matched.

The Group classifies accounting hedges as fair value hedges, cash flow hedges and hedges of a net investment in foreign operations based on the type of risk covered.

**Recognition of fair value hedges**

The gain or loss from remeasuring hedging instruments at fair value, as well as the gain or loss on the hedged item attributable to the hedged risk, is recognized immediately in the consolidated profit or loss account even when the hedged item is measured at amortized cost or is an available-for-sale financial asset.

When the hedged item is valued at amortized cost, the carrying amount is adjusted to reflect the gain or loss arising as a result of the hedge, the amount of which is recognized in the consolidated profit or loss account. Upon termination of the fair value hedge on the item, the amount adjusted is recognized in the consolidated profit or loss account based on a recalculated effective interest rate at the date as of which the carrying amount is no longer adjusted. The adjustment is to be fully amortized upon maturity of the hedged item.

**Recognition of cash flow hedges**

The gain or loss from remeasuring the effective portion of the hedging instrument at fair value is temporarily recognized under "Equity - Valuation adjustments." The ineffective portion of the gain or loss on the hedging instrument is directly recognized in the consolidated profit and loss account.

Accumulated gains or losses on hedging instruments recognized under "Equity - Valuation adjustments" are classified under this heading until they are taken to the consolidated profit and loss account in the periods in which the items designated as hedges affect profit or loss, unless the hedge corresponds to a forecast transaction that subsequently results in the recognition of a financial asset or a financial liability, in which case the amounts recognized as equity are included in the cost of the asset acquired or liability assumed. If the Group expects that all or a portion of a loss directly recognized temporarily as equity will not be recovered in future periods, it shall immediately reclassify the related amount to the consolidated profit and loss account.

When a hedge is discontinued, the cumulative gain or loss on the hedging instrument that remains recognized under "Equity - Valuation adjustments" from the period when the hedge was effective shall remain recognized in this heading until the hedged transaction takes place, at which time the criteria set forth in the paragraph above shall be applied unless the transaction is no longer probable, in which case the related amount is recognized directly in the consolidated profit and loss account.

## 3.9.TRANSFERS OF FINANCIAL ASSETS.

The Group derecognizes a transferred financial asset when it transfers all contractual rights to receive related cash flows generated or when having retained these rights, it assumes the contractual obligation to pay them to the transferee and the risks and rewards of ownership of the financial asset have been substantially transferred.

If the risks and rewards of ownership of a financial asset transferred are retained substantially, the group continues to recognize the financial asset and recognizes a financial liability for the same amount as the consideration received. This financial liability is subsequently measured at amortized cost. The valuation criteria applied to the financial asset transferred is the same as that applied prior to the transfer. Gains on the financial asset transferred and expenses on the financial liability are recognized in the consolidated profit and loss account, respectively.



If the risks and rewards of ownership of financial assets transferred are not transferred or substantially retained and the group has retained control of the asset, it recognizes a financial asset for an amount equal to the exposure to the variability of the present value of the financial asset transferred, and an associated financial liability which is valued in such a way that the net carrying amount of the transferred asset and the associated liability is:

• The amortized cost of the rights and obligations retained by the Group if the transferred asset is measured at amortized cost.

• The equivalent of the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis if the transferred asset is measured at fair value.

If the Group does not retain control of the financial instrument transferred, it is removed from the consolidated balance sheet and any right or commitment retained or created as a result of the transfer is recognized.

The assets ("Receivable from customers") transferred by the Parent Entity in 2004 have not been canceled given that all related risks and rewards of ownership have not been fully transferred (see Note 12.2).

## 3.10.PROPERTY AND EQUIPMENT.

Property and equipment includes buildings, land, furniture, vehicles, computer equipment and other installations owned by the group or acquired under financial leases. Property and equipment are classified by concept as property and equipment for own use, investment property, and other assets leased out on operating leases.

For own use includes mainly offices (constructed and under development) owned by the Group. These assets are measured at cost less any accumulated depreciation and impairment losses.

The cost of property and equipment includes amounts initially disbursed for acquisition or production, as well as any amounts disbursed subsequently for expansion, replacement or improvement of assets, when the group expects to earn future gains from continuing use of said assets.

The acquisition or production cost of property and equipment, net of the residual value, is depreciated using the straight-line method based on the useful life of the various assets, as follows:

| | Years of useful life | Depreciation percentages applied |
|---|---|---|
| Buildings for own use | 50 | 2% |
| Furniture | 10 | 10% |
| Fixtures | 10 – 12.5 | 8% - 10% |
| Computer equipment | 4 | 25% |

Repairs and maintenance expenses that do not increase the useful lives of assets are charged to the consolidated income statement of the year incurred.

The financial expenses incurred to finance the acquisition of property and equipment are not included in related acquisition costs. They are recognized in the consolidated profit or loss during the year incurred.

Assets acquired through instalments are recognized at the cash amounts paid and liabilities are recorded for the corresponding residual amounts pending payment. If the instalment payment period exceeds 90 days (180 days in the case of buildings), related expenses are discounted from the acquisition cost and recognized as financial expenses in the consolidated income statement.

Property and equipment, including assets under financial leases, are derecognized when disposed of or when permanently retired from use and no future economic benefits are expected from disposal, transfer or abandonment. The difference between the sales price and the carrying amount is recognized through consolidated profit or loss of the period in which the asset is derecognized.





The Group periodically assesses whether there are any internal or external indications that the carrying amounts of assets will be impaired at the financial statement date. It estimates the recoverable amount of such assets which is understood as the greater of (i) related fair value less necessary sales costs and (ii) related use value. If the recoverable amount, thus determined, is less than the carrying amount, the difference between the two amounts is recognized in the consolidated income statement as a decrease in the carrying amount of such assets.

The accounting principles applied to assets leased out on operating leases, non-current assets held for sale and assets assigned to education and promotion projects are set forth in Notes 3.12 and 3.13.

## 3.11.GOODWILL AND OTHER INTANGIBLE ASSETS.

### 3.11.1.Goodwill.

Goodwill is only recognized when the Group has acquired the future economic benefits of the acquired company in exchange for compensation considered to represent advance payments and such benefits may not be individually or separately identified or known.

At least once a year or whenever there are indications of impairment, the Group evaluates goodwill to determine whether it has undergone impairment which would reduce the recoverable amount to less than the net cost recorded, if this is the case. It records the corresponding write-off against the consolidated income statement. Impairment losses recognized for goodwill are not reversed in subsequent periods.

### 3.11.2.Other intangible assets.

The Group classifies non-monetary assets as other intangible assets when such assets are expected to provide probable economic benefits and related costs may be reliably determined.

Intangible assets are initially recognized at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are considered to have "indefinite useful lives" when, based on analysis of all relevant factors, the conclusion is reached that there is no foreseeable limit to the period during which net cash flows are expected to be generated for the Group. For the remaining cases, intangible assets are considered to have "finite useful lives." At December 31, 2015 and 2014, the Group has no intangible assets with indefinite useful lives.

Intangible assets with finite lives are amortized over those useful lives using methods similar to those used to depreciate property and equipment.

The years of useful lives and related amortization percentages applied to intangible assets are the following:

| | Years of useful life | Amortization percentages applied |
|---|---|---|
| Software | 3 | 33.33% |
| Customer portfolio | 18.75 | 5.33% |

The Group recognizes any impairment loss which may arise with respect to the carrying amount of these assets and recognizes an offsetting balance under "Impairment losses – Other intangible assets" in the consolidated income statement. The criteria for recognizing such impairment and any related recoverable amounts on impairment losses recognized in prior years are similar to those applied to property and equipment.





## 3.12.LEASES.

The Group classifies lease contracts based on the substance and financial reality of the transaction regardless of whether they are set up as financial or operating leases. Financial leases are leases that transfer substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating leases.

**Financial leases**

Receivables for financial leases are reflected on the assets side of the balance sheet at the amount of the net investment in the lease which is equal to the present value of collections receivable from lessee throughout the duration of the lease, plus any residual value whose payment has been directly or indirectly guaranteed by the lessee or third parties with sufficient financial capacity and any unguaranteed residual value which corresponds to the lessor.

As of December 31, 2015 and 2014 the Group has no assets for significant amounts acquired under financial leases.

**Operating leases**

Assets under operating leases have been classified on the consolidated balance sheet based on the type of assets.

Lease income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the lease. Initial direct costs incurred by lessors are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as lease income.

Collections received upon arrangement of an operating lease are treated as advance payments and amortized over the lease term as per the pattern in which the leased asset's economic benefits are expected.

The accounting criteria which the Group applies to amortize leased assets is described in the notes on property and equipment (see Note 3.10).

If a sale and leaseback transaction result in an operating lease and it is clear that the transaction is established at fair value any profit or loss is immediately recognized; otherwise the difference between the fair value and the sales price is recognized as follows:

• When the fair value is greater than the sales price, the loss compensated by future lease installments below market price is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used.

• When the fair value is less than sales price, the difference is deferred and amortized over the period for which the asset is expected to be used.

## 3.13.NON-CURRENT ASSETS HELD FOR SALE.

The Group classifies as “Non-current assets held for sale” non-current assets (assets whose selling or recovery period is expected to exceed one year as of the date of the consolidated financial statements on which they are reflected) and disposal groups (group of assets, along with the liabilities directly associated to them, that are to be disposed of as a group in a single transaction or as part of a unit or group of units) whose carrying amounts are expected to be recovered through sale and regarding which the sales conditions are optimal and highly probable.

Upon classification to this heading, these assets are generally measured at the lower of their carrying amount or fair value less cost to sell.

The Group also classifies assets awarded in payment of debts under this heading and initially values them at the net amount of financial assets received. Non-current assets held for sale are not depreciated while included under this heading.



Related impairment losses for any initial or subsequent write-down of the fair value of asset (disposal group), less costs to sell are recognized in the consolidated income statement. Likewise, subsequent recoveries of carrying amounts are recognized in the consolidated income statement up to the cumulative amount of the impairment loss that has already been recognized.

When the Group finances the sale of non-current assets to the buyer, related gains and losses are recognized in profit or loss for the year in which the sale is made unless the buyer is a related party or there are doubts regarding the recovery of the amounts financed in which case related gains are accrued proportionally to collections from the corresponding financial asset.

## 3.14.PERSONNEL EXPENSES AND POST-EMPLOYMENT BENEFITS.

### 3.14.1.Short-term employee benefits.

These benefits are measured (and not updated) at the amount which has been paid for services received and are recognized in general as “Personnel expenses” for the year. The difference between the total expense and the amount already paid is shown under “Accrued expenses and deferred income.”

### 3.14.2.Pension commitments.

**Widowhood and orphanhood**

By virtue of regulations and collective labor agreements, the Group is required to supplement the social security benefits accruing to the spouses or orphans due to the death of active employees. The Group has subscribed an insurance policy for its employees with an insurance company in order to cover related liabilities for which an annual premium is paid.

**Seniority bonus**

When the Entity was a credit cooperative, it paid a seniority bonus equal to three monthly salary payments to employees who retire. In 2002, the Entity subscribed an insurance policy with an insurance company to cover related liabilities. When it became a Bank, in 2009 this obligation ceased to exist.

**Termination benefits**
Termination benefits are recognized as a provision for pension funds and similar obligations and as a personnel expense only when the Group is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

**Pension obligations of Bancofar, S.A.**
Group company Bancofar, S.A. has other commitments to current employees who joined the staff of Bancofar, S.A. from Acofar, Sociedad Cooperativa de Crédito as a result of a partial de-merger; specifically, the commitments are those envisaged in articles 26 and 40 of the collective bargaining agreement for credit cooperatives (establishing a long-service bonus and benefits for widowhood and orphanhood). As provided in Bank of Spain Circular 4/2004, these commitments are classified as defined benefit commitments.

At December 31, 2015, the present value of the commitments for risks accrued for unvested pensions of current employees of Bancofar, S.A. amounts to 178 thousand euros (2014: 199 thousand euros) and is covered by an internal fund (covering the obligations encompassed by Royal Decree 1588/1999) recognized under "Provisions - Provisions for pensions and similar obligations" on the consolidated balance sheet (Note 19). This figure was estimated on the basis of an actuarial study commissioned of an independent actuary firm which in turn factors in the terms agreed to in the prevailing collective bargaining agreement for credit cooperatives, as well as the following assumptions, among others:

| | 2015 | 2014 |
|---|---|---|
| Technical interest rate | 1.75% | 2% |
| Mortality and survival tables | PERM 2000P (men) and PERF 2000P (women) | PERM 2000P (men) and PERF 2000P (women) |
| Annual wage growth rate | 1.5% | 1.5% |
| CPI | 1.5% | 1.5% |





"Actuarial gains and losses" are those deriving from differences between the above actuarial assumptions and the reality or from changes in the actuarial assumptions used. The Group recognizes the actuarial gains and losses arising in relation to its post-employment commitments to employees in the year in which they arise by means of the corresponding income-statement credit or charge.

Bancofar, S.A. did not have any vested pension commitments at year-end 2015 or 2014 or at any time during those years.

## 3.15.SHARE-BASED PAYMENTS TO EMPLOYEES.

The Group makes no share-based payment to its employees.

## 3.16.OTHER PROVISIONS AND CONTINGENT LIABILITIES.

The group distinguishes between provisions and contingent liabilities. The former are credit balances which cover present liabilities at the balance sheet date arising as a result of past events regarding which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations which are considered probable in terms of occurrence, certain in terms of nature but uncertain in terms of amount and/or cancellation date; while the latter are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

The consolidated financial statements include all significant provisions when the Group considers that it will more likely than not have to settle related obligations. Although contingent liabilities are not recognized in the consolidated financial statements, related information is included under memorandum items.

Provisions, which are quantified taking into consideration the best available evidence on implications of obligating events and are re-estimated at the balance sheet date, are used to cover the specific obligations for which they were originally recognized and partially or fully reversed when said obligations decrease or cease to exist.

**Legal proceedings and/or claims underway**
At year end, there were no significant on-going legal proceedings and claims which had been filed against the Group in its normal course of business. The Group's legal advisors and directors consider that the final outcome of these proceedings and claims will not have a significant effect on the consolidated financial statements.

## 3.17.FEES AND COMMISSIONS.

The Group classifies the fees and commissions that it collects or pays as follows:

**Financial service fees**
These fees, which are an integral part of the effective rate of return or cost of a financial transaction and are collected or paid in advance, are recognized in consolidated profit or loss throughout the expected life of the financing as an adjustment to the effective rate of return or cost of the transaction, net of related direct costs.

**Other service fees**
These fees usually arise as a result of services rendered by the Group and are recognized in consolidated profit or loss throughout the related execution period. In the case of services executed via a significant act, related fees are recognized upon execution of the significant act.





## 3.18.ASSET EXCHANGE TRANSACTIONS.

In exchanges of property and equipment and intangible assets, the group measures the assets received at the fair value of the assets given up plus any monetary assets given in exchange, unless the fair value of the asset received is more clearly evident. When it is impossible to reliably measure the fair values of the assets, the assets received are recognized at the carrying amounts of the assets given up plus any monetary assets given in the exchange.

Losses incurred on asset exchange transactions are immediately recognized in the consolidated income statement, while related gains are only recognized if the exchange has commercial substance and the fair values of the assets may be reliably measured.

## 3.19.INCOME TAX.

The income tax expense is calculated as tax payable with respect to the tax result for the year, after considering changes during the year relating to temporary differences, tax credits for deductions and rebates, and loss carryforwards.

The tax expense is recognized in the income statement except when the transaction is recognized directly in equity and in business combinations in which deferred tax liabilities are recognized as another equity component of the business combination.

For deductions, rebates and tax credits for loss carryforwards to be effective, they must meet the requirements stipulated in prevailing legislation provided that related recovery is probable given that there are sufficient available deferred taxes or specific events have occurred due to which said recovery is no longer considered likely.

The tax effect of temporary differences is included in the corresponding deferred tax asset or liability headings under “Tax assets” or “Tax liabilities” on the accompanying consolidated balance sheet.

The Group reviews the carrying amounts of deferred tax assets and liabilities recognized, at least, at each balance sheet date and records the corresponding adjustments for deferred taxes which have lapsed or are considered not recoverable.

## 3.20.OFF-BALANCE-SHEET CUSTOMER FUNDS.

Funds deposited by third parties to invest in investment management funds and firms, pension funds, savings insurance contracts and discretional portfolio management contracts, distinguishing between funds managed by the Group and those sold by the group but managed by third parties outside the Group.

Additionally, assets acquired on behalf of the group for third parties, debt securities, equity instruments, derivatives and other financial instruments that are held on deposit, as guarantees or on commission at the group for which it is liable to third parties are recognized in memorandum items at fair value or at cost when no reliable estimate of fair value exists.

The fees collected for these services are recognized under “Fee and commission income” in the consolidated income statement and are detailed in Note 3.17.

## 3.21.CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

The consolidated statement of changes in equity reflects total changes in equity during the year. This information is likewise disclosed in two other statements:



- The consolidated statement of recognized income and expenses presents the income and expenses generated by the Group as a result of its activities during the year, differentiating between those recognized as profit or loss for the year in the consolidated income statement from income and expenses recognized, under the current standards, directly in equity.

- Consolidated statement of total changes in equity: presents all the changes in consolidated equity, including those originating in changed accounting criteria and restatements. This statement includes a reconciliation of the carrying value at the start and end of the year for in all items comprising consolidated equity, grouping the movements depending on their nature.

## 3.22.CONSOLIDATED CASH FLOW STATEMENT.

The following terms are used in the cash flow statement with the meanings indicated below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of credit entities and other activities that are not investing or financing activities.

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

- Financing activities: activities that result in changes in the size and composition of the contributed equity and borrowings not included in operating activities.

# 4.ERRORS AND CHANGES IN ACCOUNTING ESTIMATES

In 2015 and to the preparation date of the consolidated financial statements, no errors or changes to accounting estimates whose significance would require disclosure in the consolidated financial statements approved by Banco Caminos' Board of Directors have occurred.

# 5.APPROPRIATION OF RESULTS

Below is the appropriation of 2015 that the Board of Directors of Banco Caminos (the Parent company) will propose to the Shareholders for its approval, together with the appropriation of 2014 profit approved by the Shareholders on June 26, 2015.

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Proposed appropriation | | |
| To legal reserve | 628 | 570 |
| To voluntary reserve | 5,649 | 5,129 |
| Total appropriation | 6,277 | 5,699 |
| Profit for the year | 6,277 | 5,699 |



The appropriation of results of consolidated group entities will be determined by the shareholders of each entity in general meeting.

# 6.SEGMENT REPORTING

**Business segments**

Given the fact that at year-end 2015, 97% of the Group's total assets (2014: 97%) and 116% of the profit (2014: 109%) generated by it during the year then ended corresponded to the business activity pursued by its credit institutions (Banco Caminos, S.A. and Bancofar, S.A.), coupled with the fact that all of the Group's business activities are carried out in Spain, the Parent's management monitors the Group's performance by tracking the performance of these entities, without distinguishing between other operating segments.

The table below provides the disclosures required under prevailing legislation at December 31, 2015 and 2014 (pro forma for consolidation adjustments and eliminations):

Thousands of euros

| 2015/12/31 | Group total | Banco Caminos | Bancofar | Rest |
|---|---|---|---|---|
| Total assets: | 2,862,356 | 1,830,511 | 949,544 | 82,301 |
| Of which: | | | | |
| Debt securities | 1,167,310 | 1,166,102 | - | 1,208 |
| Loans and advances to other debtors | 1,369,910 | 489,120 | 877,314 | 3,476 |
| Total liabilities | 2,648,917 | 2,028,856 | 614,378 | 5,683 |
| Of which: | | | | |
| Deposits from other creditors | 2,056,870 | 1,489,794 | 567,076 | - |
| Total profit and loss | 11,988 | 8,676 | 5,226 | (1,914) |
| Net interest margin | 40,933 | 20,223 | 20,586 | 124 |

Thousands of euros

| 2014/12/31 | Group total | Banco Caminos | Bancofar [a] | Rest |
|---|---|---|---|---|
| Total assets: | 2,633,407 | 1,755.209 | 797,332 | 80,866 |
| Of which: | | | | |
| Debt securities | 1,010,443 | 1,008,637 | - | 1,806 |
| Loans and advances to other debtors | 1,274,558 | 513,246 | 748,020 | 13,292 |
| Total liabilities | 2,421,243 | 1,834,465 | 578,166 | 8,612 |
| Of which: | | | | |
| Deposits from other creditors | 1,980,372 | 1,416,384 | 563,988 | - |
| Total profit and loss | 39,294 | 42,342 | 404 | (3,452) |
| Net interest margin | 28,902 | 22,727 | 6,072 | 103 |

(a) Balance sheet headings as at December 31, 2014 and income statement headings corresponding to the period between July 1, 2014 (date of first-time consolidation of Bancofar, S.A. within the Group) and December 31, 2014

**Geographical segments**

The Group carries out its activity in Spain. Its customers and the products it offers to them are similar throughout the country and thus information is reported on a single geographical segment.



# 7.FINANCIAL INSTRUMENT RISK MANAGEMENT

Credit institutions that operate in financial instruments may be faced with the assumption or transfer of one or several types of risks. The risks that correspond to financial instruments are:

## 7.1.CREDIT RISK.

Credit risk is understood as the probability of incurring losses due to the insolvency of one of the Group’s customers. In the case of repayable financing (e.g. credit facilities, loans, deposits, securities) granted to third parties, credit risk arises as a result of failure to recover the investments made as per the conditions established in related contracts. Off-consolidated-balance-sheet risks arise due to the counterparty's failure to fulfill obligations with third parties, thus requiring the Group to assume risks as if they were its own by virtue of the commitments set forth in related contracts.

Credit risk is the most significant risk to which the Group is exposed as a result of its banking activity, and is understood as the risk of counterparties being unable to fully repay the amounts owed.

The management of the Parent Entity's credit risk is defined and structured based on objective and professional criteria, all aimed at the maximum giving the customer a decision in the minimum of time.

The Group’s credit risk management is a standard integral procedure which covers the period from the date on which the customer requests financing up to the full repayment of the funds lent. The Group has also established several basic criteria for credit risk approval - liquidity, guarantees, profitability and prior credit rating - and minimum required documentation for compliance with prevailing legislation at any given time.

In relation to the study and analysis of asset transactions, the Group has the advantage of having personal knowledge of its individual customers, who are by nature members of Banco Caminos and operating from two branches, factors which facilitate the ongoing monitoring and recovery of delinquency.

The Group has embarked on a new path in credit risk analysis and management which will involve the use of support software to back final decisions. These tools consist of a reactive risk rating model and an integrated risk monitoring model designed to monitor individual customers (mortgage loans, consumer loans and credit cards). These models are to be used to reduce the time need to assess customer requests and facilitate arriving at better decisions in order to obtain the best possible credit portfolio.

Total credit risk exposure as of December 31, 2015 and 2014 is detailed as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Debt securities | 1,167,310 | 1,010,443 |
| Loans and advances to other debtors | 1,369,910 | 1,274,558 |
| Loans and advances to credit institutions | 55,274 | 103,709 |
| Derivatives | 1,423 | 1,599 |
| Contingent exposures | 42,711 | 46,692 |
| Total risk | 2,636,628 | 2,437,001 |
| Credit lines available to third parties | 227,254 | 257,587 |
| Total exposure | 2,863,882 | 2,694,588 |

Bank of Spain regulations classify loans and advances based on the following degrees of risk: no appreciable risk (public sector and cash guarantees), low-medium risk (mortgage loans secured by finished dwellings, LTV < 80% and A-rated companies), low risk (remaining secured loans), average risk (personal guarantees, except consumer and credit card loans and overdrafts), medium-high risk (consumer financing) and high risk (card financing and overdrafts).





| | % | |
|---|---|---|
| Risk category | 2015 | 2014 |
| Unappreciable risk | 40.11 | 40.42 |
| Low | 26.33 | 26.09 |
| Low – medium risk | 3.98 | 3.05 |
| Medium | 26.70 | 29.26 |
| Medium – high risk | 1.28 | 0.93 |
| High risk | 1.60 | 0.25 |

As for credit-risk concentration levels, Regulation (EU) No. 575/2013 provides that no single client or group of connected clients may account for an exposure equivalent to 25% or more of the Group's eligible capital. In addition, the sum of all large exposures (defined as those exceeding 10% of the Group's eligible capital) must be less than eight times its eligible capital. To this end, eligible capital is calculated using the definitions stipulated in Regulation (EU) No. 575/2013. The Group complies with all legally-stipulated thresholds in this respect.

**Distribution of debt instruments**

Credit ratings assigned to debt securities at year-end 2015 and 2014 were the following:

| | Miles de euros | |
|---|---|---|
| | 2015 | 2014 |
| AAA | - | - |
| AA+ | - | - |
| AA | 54,543 | 9,647 |
| AA- | 964 | - |
| A+ | 14,713 | 86,265 |
| A | 40,243 | 56,882 |
| A- | 4,395 | 17,376 |
| BBB+ | 785,158 | 13,331 |
| BBB | 174,706 | 767,724 |
| BBB- | 25,359 | 15,197 |
| BB+ | 2,106 | 2,435 |
| BB | 22,789 | 12,048 |
| BB- | 24,664 | 21,297 |
| N/A | 17,670 | 8,241 |
| Total | 1,167,310 | 1,010,443 |

### Breakdown of customer loans

At December 31, 2015 and 2014, Banco Caminos, S.A. (the Group Parent) and Bancofar, S.A. constitute the Group's credit institutions and are therefore the Group entities presenting greater exposure to credit risk. Certain of the following statements refer exclusively to the situation of these two entities, although this is considered a fair proxy of the Group's overall situation in this respect.

The following table shows the distribution of risks classified as “Customer loans” at Banco Caminos, S.A., based on the customers’ business sector at December 31, 2015 and 2014:

Thousands of euros

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Risk | Distribution (%) | Of which: doubtful assets | Risk | Distribución (%) | Of which: doubtful assets |
| **Sector** | | | | | | |
| Agriculture, livestock farming, hunting, forestry and fishing | 1,081 | 0.07 | - | 1,207 | 0.09 | - |
| Industry | 1,529 | 0.10 | 538 | 1,600 | 0.11 | 576 |
| Construction | 9,475 | 0.63 | 1,660 | 10,779 | 0.77 | 2.407 |
| Property and services companies | 121,087 | 8.10 | 18,798 | 129,961 | 9.26 | 16,716 |
| Energy | 3,262 | 0.22 | - | 4,773 | 0.34 | 213 |
| Services: | 936,747 | 62.68 | 76,620 | 810,219 | 57.72 | 70,459 |
| Trade and catering | 788,183 | 52.74 | 75,173 | 760,931 | 54.21 | 68,687 |
| Transportation and communications | 6,602 | 0.44 | - | 7,917 | 0.56 | 127 |
| Brokerage services | 3,762 | 0.25 | 276 | 5,595 | 0.40 | 291 |
| Other services | 138,200 | 9.25 | 1,171 | 35,776 | 2.55 | 1,354 |
| Loans to personal customers: | 400,502 | 26.80 | 26,988 | 426,265 | 30.37 | 35,373 |
| Home mortgages | 286,626 | 19.18 | 9,960 | 291,326 | 20.75 | 11,261 |
| Consumer and others | 113,876 | 7.62 | 17,028 | 134,939 | 9.61 | 24,112 |
| Unclassified | 20,714 | 1.39 | - | 18,938 | 1.35 | - |
| Total | 1,494,397 | 100.00 | 124,604 | 1,403,742 | 100.00 | 125,744 |
| Valuation adjustments | (99,502) | | (72,684) | (109,272) | | (78,945) |
| Total | 1,394,895 | | 51,920 | 1,294,470 | | 46,799 |





The breakdown of risks on “Loans and advances debtors” by total net amount per customer in 2015 and 2014 is the following:

Thousands of euros

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Risk | Distribution (%) | Of which: doubtful assets | Risk | Distribution (%) | Of which: doubtful assets |
| Over 5,000 | 128,665 | 9.39 | - | 20,978 | 1.65% | - |
| 3,000 to 5,000 | 36,871 | 2.69 | 3,131 | 33,251 | 2.61% | - |
| 1,000 to 3,000 | 316,615 | 23.11 | 41,269 | 279,734 | 21.95% | 34,542 |
| 500 to 1,000 | 282,030 | 20.59 | 28,270 | 256,036 | 20.09% | 24,174 |
| 300 to 500 | 165,922 | 12.11 | 21,858 | 184,977 | 14.51% | 20,254 |
| 100 to 300 | 305,476 | 22.30 | 24,097 | 345,267 | 27.08% | 29,549 |
| 50 to 100 | 79,709 | 5.82 | 3,476 | 95,301 | 7.48% | 5,573 |
| 10 to 50 | 47,892 | 3.50 | 2,557 | 52,149 | 4.09% | 11,233 |
| Up to 10 | 6,730 | 0.49 | 161 | 6,865 | 0.54% | 596 |
| Total | 1,369,910 | 100.00 | 124,819 | 1,274,558 | 100.00% | 125,921 |

The segmentation of the Group’s loan book by type of guarantee received is as follows:

%

| Guarantees percentages | 2015 | 2014 |
|---|---|---|
| Mortgage guarantees | 73 | 74 |
| Other forms of security | 10 | 5 |
| Public sector | - | - |
| Personnel | 17 | 21 |

The breakdown of the credit risk exposure relating to collateral, excluding balances assessed to be impaired at December 31, 2015 and 2014 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| **Collateral** | | |
| Collateral | 516,311 | 470,252 |
| Other mortgaged assets | 507,456 | 503,709 |
| **Borrowers with collateralized debt** | | |
| Borrowers with monetary guarantees | 8,988 | 10,092 |
| Securities pledged as collateral | 11,576 | 11,634 |
| Other borrowers with collateralized debt | 121,559 | 37,827 |
| Total | 1,165,890 | 1,033,514 |

At December 31, 2015, the fair value of aggregate guarantees received exceeded that of the loans secured, In the case of mortgage guarantees, the portfolio's average LTV is 58.85% (2014: 51.65%), which is calculated based on the relationship between pending capital and value at the concession or renewal date.

The distribution of risk as of December 31, 2015 and 2014 was the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Standard | 1,293,123 | 1,192,450 |
| Substandard | 51,709 | 65,643 |
| Doubtful | 124,819 | 125,921 |
| Total | 1,469,651 | 1,384,014 |
| Valuation adjustments | (99,741) | (109,456) |
| Total | 1,369,910 | 1,274,558 |



**Doubtful debtors and the coverage ratio**

The Parent Entity's non-performing loan (NPL) ratio and the corresponding NPL coverage ratio for 2015 and 2014 are as follows:

| | % | |
|---|---|---|
| | 2015 | 2014 |
| NPL ratio | 8.82 | 9.57 |
| NPL coverage ratio | 74.27 | 80.22 |

The Parent Entity's default ratio by segments is as follows:

| | % | |
|---|---|---|
| | 2015 | 2014 |
| Companies | 48.77 | 35.44 |
| Private customers, mortgage loan home purchases | 12.89 | 11.71 |
| Private customers, other loans, other guarantees | 31.93 | 47.66 |
| Real estate promoters | 6.41 | 5.19 |
| Institutions | - | - |

## 7.1.1.Distribution of risk by type of activity and geographical area

The following table shows the distribution of loans and advances to other debtors by activity at December 31, 2015 and 2014:

Thousands of euros

| 2015/12/31 | Total | Of which: Secured by property (e) | Of which: Remaining guarantees (e) | Secured loans. Loan to value (f) Less than or equal to 40% | More than 40% and less than or equal to 60% | More than 60% and less than or equal to 80% | More than 80% and less than or equal to 100% | More than 100% |
|---|---|---|---|---|---|---|---|---|
| **1. Public administrations** | - | - | - | - | - | - | - | - |
| **2. Other financial institutions** | **2,682** | - | - | - | - | - | - | - |
| **3. Non-financial companies and individual entrepreneurs** | **877,217** | **215,505** | **527,763** | **321,344** | **141,660** | **180,573** | **78,868** | **20,823** |
| 3.1 Construction and real estate development (b) | 3,123 | 1,899 | - | 201 | 298 | 1,400 | - | - |
| 3.2 Civil engineering work | - | - | - | - | - | - | - | - |
| 3.3 Other purposes | 874,094 | 213,606 | 527,763 | 321,143 | 141,362 | 179,173 | 78,868 | 20,823 |
| 3.3.1 Large companies (c) | | | | | | | | |
| 3.3.2 SMEs and individual entrepreneurs (c) | 874,094 | 213,606 | 527,763 | 321,143 | 141,362 | 179,173 | 78,868 | 20,823 |
| **4. . Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **504,501** | **348,748** | **10,079** | **109,343** | **104,814** | **133,177** | **10,914** | **579** |
| 4.1 Homes (d) | 281,266 | 278,795 | 553 | 75,999 | 84,260 | 111,357 | 7,280 | 452 |
| 4.2 Consumption (d) | 6,787 | 3,741 | 223 | 605 | 496 | 2,731 | 132 | - |
| 4.3 Other purposes (d) | 216,448 | 66,212 | 9,303 | 32,739 | 20,058 | 19,089 | 3,502 | 127 |
| SUBTOTAL | 1,384,400 | 564,253 | 537,842 | 430,687 | 246,474 | 313,750 | 89,782 | 21,402 |
| 5. Less: Impairment losses not attributed to specific transactions | (14,490) | | | | | | | |
| 6. TOTAL | 1,369,910 | | | | | | | |
| **MEMORANDUM ITEM** | | | | | | | | |
| Refinancing, refinanced, and restructured transactions | 180,555 | 85,066 | 89,600 | 72,287 | 34,078 | 31,825 | 31,100 | 5,376 |



Thousands of euros

| 2014/12/31 | Total | Of which: Secured by property (e) | Of which: Remaining guarantees (e) | Secured loans. Loan to value (f) Less than or equal to 40% | More than 40% and less than or equal to 60% | More than 60% and less than or equal to 80% | More than 80% and less than or equal to 100% | More than 100% |
|---|---|---|---|---|---|---|---|---|
| **1. Public administrations** | - | - | - | - | - | - | - | - |
| **2. Other financial institutions** | **4,671** | - | - | - | - | - | - | - |
| **3. Non-financial companies and individual entrepreneurs** | **861,382** | **157,919** | **588,562** | **305,983** | **166,450** | **162,621** | **91,691** | **19,736** |
| 3.1 Construction and real estate development (b) | 6,973 | 4,509 | 200 | 1,416 | 943 | 2,350 | - | - |
| 3.2 Civil engineering work | - | - | - | - | - | - | - | - |
| 3.3 Other purposes | 854,409 | 153,410 | 588,362 | 304,567 | 165,507 | 160,271 | 91,691 | 19,736 |
| 3.3.1 Large companies (c) | - | - | - | - | - | - | - | - |
| 3.3.2 SMEs and individual entrepreneurs (c) | 854,409 | 153,410 | 588,362 | 304,567 | 165,507 | 160,271 | 91,691 | 19,736 |
| **4. Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **423,712** | **358,391** | **21,018** | **126,858** | **94,053** | **136,744** | **19,183** | **2,571** |
| 4.1 Homes (d) | 286,839 | 282,673 | 1,343 | 79,081 | 77,991 | 113,179 | 12,861 | 904 |
| 4.2 Consumption (d) | 6,420 | 1,582 | 1,021 | 661 | 678 | 908 | 356 | - |
| 4.3 Other purposes (d) | 130,453 | 74,136 | 18,654 | 47,116 | 15,384 | 22,657 | 5,966 | 1,667 |
| SUBTOTAL | 1,289,765 | 516,310 | 609,580 | 432,841 | 260,503 | 299,365 | 110,874 | 22,307 |
| 5. Less: Impairment losses not attributed to specific transactions | (15,207) | | | | | | | |
| 6. TOTAL | 1,274,558 | | | | | | | |
| **MEMORANDUM ITEM** | | | | | | | | |
| Refinancing, refinanced, and restructured transactions | 171,677 | 86,620 | 78,110 | 65,750 | 31,113 | 28,340 | 30,881 | 8,647 |

(a)The amount recognized for the different data is the carrying amount of the transactions, that is, after deducting the impairment losses recognized for the hedging of specific transactions. Impairment losses for a group of assets that cannot be assigned to specific transactions are recognized under "Impairment losses not attributed to specific transactions."

(b) This heading reflects all activities related to property construction and development, including that related to the financing of land for property development.

(c) Non-financial companies are classified under "Large companies" and "SMEs" in accordance with the applicable definition for the latter for purposes of calculating equity. Activities of individual entrepreneurs are considered to be those carried out by natural persons when performing their business activities.

(d) The activities of homes and non-profit institutions providing services to homes are classified based on their purpose in accordance with the criteria established in standard 71.2.e) of Bank of Spain Circular 4/2004.

(e) Includes the carrying amount for all transactions guaranteed with property and other collateral, regardless of their loan to value ratio.

(f) The loan to value ratio is arrived at by dividing the carrying amount of the transactions at the balance sheet date by the last appraised value or measurement available for the guarantee.

The following table shows the concentration of risks by activity and geographical area, in Spain, at December 31, 2015 and 2014:

Thousands of euros

| 2015/12/31 | Total | Spain | Other EU countries | Americas | Rest of the world |
|---|---|---|---|---|---|
| **1. Credit institutions** | **173,492** | **107,297** | **64,345** | **1,850** | |
| **2. Public administrations** | **772,033** | **772,033** | **-** | **-** | **-** |
| 2.1 Central government administration | 671,919 | 671,919 | - | - | - |
| 2.2 Other | 100,114 | 100,114 | - | - | - |
| **3. Other financial institutions** | **256,199** | **232,385** | **22,391** | **1,423** | **-** |
| **4. Non-financial companies and individual entrepreneurs** | **1,023,338** | **1,005,557** | **17,670** | | **111** |
| 4.1 Property construction and development | 3,123 | 3,123 | - | - | - |
| 4.2 Civil engineering work | - | - | - | - | - |
| 4.3 Other purposes | 1,020,215 | 1,002,434 | 17,670 | - | 111 |
| 4.3.1 Large companies | 100,864 | 84,071 | 16,682 | - | 111 |
| 4.3.2 SMEs and individual entrepreneurs | 919,351 | 918,363 | 988 | - | - |
| **5. Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **511,000** | **497,144** | **3,069** | **6,356** | **4,431** |
| 5.1 Homes | 281,266 | 269,793 | 2,779 | 4,593 | 4,101 |
| 5.2 Consumption | 6,786 | 6,707 | 35 | 33 | 11 |
| 5.3. Other purposes | 222,948 | 220,644 | 255 | 1,730 | 319 |
| **6. Less: impairment loss** | **(14,490)** | **-** | **-** | **-** | **-** |
| TOTAL | 2,721,572 | 2,614,416 | 107,475 | 9,629 | 4,542 |





Thousands of euros

| | | AUTONOMOUS COMMUNITIES (REGIONAL GOVERNMENTS) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2015/12/31 | Total | Andalusia | Aragon | Asturias | Balearic Islands | The Canary Islands | Cantabria | Castille – La Mancha | Castille and Leon | Catalonia |
| **1. Credit institutions** | **107,297** | **7,588** | **50** | **366** | **-** | **19** | **1,242** | **-** | **-** | **32,849** |
| **2. Public administrations** | **772,033** | **-** | **5,272** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Central government administration | 671,919 | | | | | | | | | |
| 2.2 Other | 100,114 | - | 5,272 | - | - | - | - | - | - | - |
| **3. Other financial institutions** | **232,385** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **559** |
| **4. Non-financial companies and individual entrepreneurs** | **1,005,557** | **239,686** | **19,884** | **25,219** | **17,622** | **67,116** | **11,989** | **30,815** | **48,715** | **106,780** |
| 4.1 Construction and real estate development (b) | 3,123 | - | - | - | - | - | - | - | - | 547 |
| 4.2 Civil engineering work | - | - | - | - | - | - | - | - | - | - |
| 4.3 Other purposes | 1,002,434 | 239,686 | 19,884 | 25,219 | 17,622 | 67,116 | 11,989 | 30,815 | 48,715 | 106,233 |
| 4.3.1 Large companies (c) | 84,071 | - | - | - | - | - | - | - | - | - |
| 4.3.2 SMEs and individual entrepreneurs (c) | 918,363 | 239,686 | 19,884 | 25,219 | 17,622 | 67,116 | 11,989 | 30,815 | 48,715 | 106,233 |
| **5. Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **497,144** | **19,964** | **1,728** | **2,541** | **1,748** | **3,820** | **24,625** | **5,117** | **2,325** | **25,553** |
| 5.1 Homes (d) | 269,793 | 15,290 | 580 | 715 | 1,623 | 2,164 | 1,324 | 4,313 | 1,939 | 14,306 |
| 5.2 Consumption (d) | 6,707 | 1,048 | 14 | 29 | 10 | 39 | 120 | 96 | 46 | 490 |
| 5.3 Other purposes (d) | 220,644 | 3,626 | 1,134 | 1,797 | 115 | 1,617 | 23,181 | 708 | 340 | 10,757 |
| SUBTOTAL | 2,614,416 | 267,238 | 26,934 | 28,126 | 19,370 | 70,955 | 37,856 | 35,932 | 51,040 | 165,741 |
| **6. Less: Impairment losses not attributed to specific transactions** | **(14.490)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 7. TOTAL | 2,599,926 | 267,238 | 26,934 | 28,126 | 19,370 | 70,955 | 37,856 | 35,932 | 51,040 | 165,741 |

Thousands of euros

| | AUTONOMOUS COMMUNITIES (REGIONAL GOVERNMENTS) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2015/12/31 | Extremadura | Galicia | Madrid | Murcia | Navarre | Autonomous Community of Valencia | Basque Country | La Rioja | Ceuta and Melilla |
| **1. Credit institutions** | **55** | **25** | **38,716** | **-** | **-** | **21,829** | **4,558** | **-** | **-** |
| **2. Public administrations** | **-** | **-** | **84,040** | **-** | **296** | **-** | **-** | **10,506** | **-** |
| 2.1 Central government administration | | | | | | | | | |
| 2.2 Other | - | - | 84,040 | - | 296 | - | - | 10,506 | |
| **3. Other financial institutions** | | **-** | **231,826** | **-** | **-** | **-** | **-** | **-** | |
| **4. Non-financial companies and individual entrepreneurs** | **36,435** | **25,261** | **301,416** | **19,973** | **-** | **37,528** | **17,113** | **-** | **5** |
| 4.1 Construction and real estate development (b) | - | - | 2,576 | - | - | - | - | - | - |
| 4.2 Civil engineering work | - | - | - | - | - | - | - | - | - |
| 4.3 Other purposes | 36,435 | 25,261 | 298,840 | 19,973 | - | 37,528 | 17,113 | - | 5 |
| 4.3.1 Large companies (c) | - | - | 84,071 | - | - | - | - | - | |
| 4.3.2 SMEs and individual entrepreneurs (c) | 36,435 | 25,261 | 214,769 | 19,973 | - | 37,528 | 17,113 | - | 5 |
| **5. Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **1,813** | **5,935** | **394,591** | **1,282** | **237** | **3,820** | **1,674** | **370** | **1** |
| 5.1 Homes (d) | 1,248 | 1,659 | 219,031 | 608 | 220 | 3,243 | 1,192 | 338 | - |
| 5.2 Consumption (d) | 64 | 45 | 4,525 | 72 | 3 | 62 | 31 | 12 | 1 |
| 5.3 Other purposes (d) | 501 | 4,231 | 171,035 | 602 | 14 | 515 | 451 | 20 | - |
| SUBTOTAL | 38,303 | 31,221 | 1,050,589 | 21,255 | 533 | 63,177 | 23,345 | 10,876 | 6 |
| **6. Less: Impairment losses not attributed to specific transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 7. TOTAL | 38,303 | 31,221 | 1,050,589 | 21,255 | 533 | 63,177 | 23,345 | 10,876 | 6 |

(a) The definition of risk for purposes of this table includes the following items from the published balance sheet: Loans and advances to credit institutions. Loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments, and contingent exposures.

The amount recognized for the assets is the carrying amount of the transactions, that is, after deducting impairment losses recognized for the hedging of specific transactions. The impairment losses of a group of assets that cannot be assigned to specific transactions are recognized under "Impairment losses on assets not attributed to specific transactions."

Distribution of activity by geographical areas is carried out based on the country or autonomous community where the borrowers, securities issuers, and counterparties to derivatives and contingent exposures are resident.



(b) This balance shows all the activities related to construction and development of property, including that related to the financing of land for property development.

(c) Non-financial companies are classified under "Large companies" and "SMEs" in accordance with the applicable definition for the latter for purposes of calculating equity. Activities of individual entrepreneurs are considered to be those carried out by natural persons when performing their business activities.

(d) The activities of homes and non-profit institutions providing services to homes are classified based on their purpose in accordance with the criteria established in standard 71.2.e) of Bank of Spain Circular 4/2004.

Thousands of euros

| 2014/12/31 | Total | Spain | Other EU countries | Americas | Rest of the world |
|---|---|---|---|---|---|
| **1. Credit institutions** | **196,874** | **140,308** | **52,488** | **3,905** | **173** |
| **2. Public administrations** | **642,242** | **642,242** | **-** | **-** | **-** |
| 2.1 Central government administration | 597,257 | 597,257 | - | - | - |
| 2.2 Other | 44,985 | 44,985 | - | - | - |
| **3. Other financial institutions** | **219,441** | **215,698** | **2,144** | **1,599** | **-** |
| **4. Non-financial companies and individual entrepreneurs** | **999,391** | **992,261** | **6,604** | **154** | **372** |
| 4.1 Property construction and development | 6,973 | 6,973 | - | - | - |
| 4.2 Civil engineering work | - | - | - | - | - |
| 4.3 Other purposes | 992,418 | 985,288 | 6,604 | 154 | 372 |
| 4.3.1 Large companies | 93,107 | 85,979 | 6,602 | 154 | 372 |
| 4.3.2 SMEs and individual entrepreneurs | 899,311 | 899,309 | 2 | - | - |
| **5. Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **431,749** | **419,514** | **2,740** | **5,354** | **4,141** |
| 5.1 Homes | 286,839 | 276,366 | 2,426 | 4,230 | 3,817 |
| 5.2 Consumption | 6,421 | 6,345 | 39 | 26 | 11 |
| 5.3. Other purposes | 138,489 | 136,803 | 275 | 1,098 | 313 |
| **6. Less: impairment loss** | **(15,207)** | **-** | **-** | **-** | **-** |
| TOTAL | 2,474,490 | 2,410,023 | 63,976 | 11,012 | 4,686 |

Thousands of euros

| 2014/12/31 | Total | Andalusia | Aragon | Asturias | Balearic Islands | The Canary Islands | Cantabria | Castille – La Mancha | Castille and Leon | Catalonia |
|---|---|---|---|---|---|---|---|---|---|---|
| | | AUTONOMOUS COMMUNITIES (REGIONAL GOVERNMENTS) | | | | | | | | |
| **1. Credit institutions** | **140,308** | **25,841** | **222** | **400** | **-** | **-** | **1,220** | **-** | **-** | **15,406** |
| **2. Public administrations** | **642,242** | **-** | **2,127** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Central government administration | 597,257 | | | | | | | | | |
| 2.2 Other | 44,985 | - | 2,127 | - | - | - | - | - | - | - |
| **3. Other financial institutions** | **215,698** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,377** |
| **4. Non-financial companies and individual entrepreneurs** | **992,261** | **226,118** | **17,453** | **24,685** | **17,376** | **66,155** | **12,259** | **29,713** | **45,528** | **102,382** |
| 4.1 Construction and real estate development (b) | 6,973 | - | - | - | - | - | - | - | - | 546 |
| 4.2 Civil engineering work | | - | - | - | - | - | - | - | - | - |
| 4.3 Other purposes | 985,288 | 226,118 | 17,453 | 24,685 | 17,376 | 66,155 | 12,259 | 29,713 | 45,528 | 101,836 |
| 4.3.1 Large companies (c) | 85,979 | - | - | - | - | - | - | - | - | - |
| 4.3.2 SMEs and individual entrepreneurs (c) | 899,309 | 226,118 | 17,453 | 24,685 | 17,376 | 66,155 | 12,259 | 29,713 | 45,528 | 101,836 |
| **5. Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **419,514** | **21,141** | **1,507** | **1,551** | **2,448** | **4,702** | **12,082** | **5,758** | **3,761** | **21,396** |
| 5.1 Homes (d) | 276,367 | 13,636 | 605 | 901 | 1,660 | 2,451 | 1,398 | 4,919 | 2,101 | 13,582 |
| 5.2 Consumption (d) | 6,344 | 1,033 | 27 | 57 | 14 | 38 | 110 | 81 | 43 | 514 |
| 5.3 Other purposes (d) | 136,803 | 6,472 | 875 | 593 | 774 | 2,213 | 10,574 | 758 | 1,617 | 7,300 |
| SUBTOTAL | 2,410,023 | 273,100 | 21,309 | 26,636 | 19,824 | 70,857 | 25,561 | 35,471 | 49,289 | 141,561 |
| **6. Less: Impairment losses not attributed to specific transactions** | **(15,207)** | | | | | | | | | |
| 7. TOTAL | 2,394,816 | 273,100 | 21,309 | 26,636 | 19,824 | 70,857 | 25,561 | 35,471 | 49,289 | 141,561 |

Thousands of euros

| 2015/12/31 | Extremadura | Galicia | Madrid | Murcia | Navarre | Autonomous Community of Valencia | Basque Country | La Rioja | Ceuta and Melilla |
|---|---|---|---|---|---|---|---|---|---|
| | AUTONOMOUS COMMUNITIES (REGIONAL GOVERNMENTS) | | | | | | | | |
| **1. Credit institutions** | **17** | **40** | **38,192** | **97** | **-** | **11,935** | **46,938** | **-** | **-** |
| **2. Public administrations** | **-** | **-** | **21,183** | **-** | **301** | **-** | **-** | **21,374** | **-** |
| 2.1 Central government administration | | | | | | | | | |
| 2.2 Other | - | - | 21,183 | - | 301 | - | - | 21,374 | - |
| **3. Other financial institutions** | **-** | **-** | **213,321** | **-** | **-** | **-** | **-** | **-** | **-** |
| **4. Non-financial companies and individual entrepreneurs** | **35,336** | **21,884** | **297,444** | **44,760** | **-** | **34,034** | **17,129** | **-** | **5** |
| 4.1 Construction and real estate development (b) | - | - | 6,427 | - | - | - | - | - | - |
| 4.2 Civil engineering work | - | - | - | - | - | - | - | - | - |
| 4.3 Other purposes | 35,336 | 21,884 | 291,017 | 44,760 | | 34,034 | 17,129 | - | 5 |
| 4.3.1 Large companies (c) | - | - | 85,979 | - | - | - | - | - | - |
| 4.3.2 SMEs and individual entrepreneurs (c) | 35,336 | 21,884 | 205,038 | 44,760 | - | 34,034 | 17,129 | - | 5 |
| **5. 5.Remaining homes and non-profit institutions providing services to homes (ISFLSH).** | **2,781** | **6,092** | **327,335** | **1,863** | **243** | **4,304** | **2,141** | **409** | **-** |
| 5.1 Homes (d) | 1,577 | 1,790 | 225,227 | 852 | 218 | 3,498 | 1,561 | 391 | - |
| 5.2 Consumption (d) | 14 | 34 | 4,217 | 77 | 5 | 42 | 38 | - | - |
| 5.3 Other purposes (d) | 1,190 | 4,268 | 97,891 | 934 | 20 | 764 | 542 | 18 | - |
| SUBTOTAL | 38,134 | 28,016 | 897,475 | 46,720 | 544 | 50,273 | 66,208 | 21,783 | 5 |
| **6. Less: Impairment losses not attributed to specific transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 7. TOTAL | 38,134 | 28,016 | 897,475 | 46,720 | 544 | 50,273 | 66,208 | 21,783 | 5 |

(a) The definition of risk for purposes of this table includes the following items from the published balance sheet: Loans and advances to credit institutions. Loans and advances to other debtors, debt securities, equity instruments, trading derivatives, hedging derivatives, investments, and contingent exposures.

The amount recognized for the assets is the carrying amount of the transactions, that is, after deducting impairment losses recognized for the hedging of specific transactions. The impairment losses of a group of assets that cannot be assigned to specific transactions are recognized under "Impairment losses on assets not attributed to specific transactions."

Distribution of activity by geographical areas is carried out based on the country or autonomous community where the borrowers, securities issuers, and counterparties to derivatives and contingent exposures are resident.

(b) This balance shows all the activities related to construction and development of property, including that related to the financing of land for property development.

(c) Non-financial companies are classified under "Large companies" and "SMEs" in accordance with the applicable definition for the latter for purposes of calculating equity. Activities of individual entrepreneurs are considered to be those carried out by natural persons when performing their business activities.

(d) The activities of homes and non-profit institutions providing services to homes are classified based on their purpose in accordance with the criteria established in standard 71.2.e) of Bank of Spain Circular 4/2004.

## 7.1.2.Disclosures regarding the Group's exposure to the real estate development and construction sectors.

**Information on exposure to the real estate development and construction sectors**

General Group policy is to avoid entering into real estate financing, except in the case of small transactions which do not involve a large capital contribution. Nonetheless, certain transactions were financed for companies investing in real estate; we therefore have considered them as being exposed to real estate risk.

The amount of real estate the circumstances of which are considered normal totals €2.7 million (2014 €1.4 million); the most relevant transaction is a developed plot located in Madrid; thus far the client has not begun construction on it.

Regarding the remaining amount of risk, a large percentage relates to loans with mortgage collateral for finished homes in Madrid; no additional significant losses are foreseen. Regular meetings are held with debtors to determine the sales/rental performance of these dwellings.

The following table shows aggregate figures on the volume of financing extended by Banco Caminos Group entities at December 31, 2015 and 2014, for the purpose of funding construction and real estate development activities, along with associated credit risk provisioning at that dates:

| | Thousands of euros | | |
|---|---|---|---|
| 2015/12/31 | Gross amount | Excess over value of collateral | Impairment allowances Specific provisions |
| Finance granted for construction and property development (business in Spain) | 6,362 | 1,267 | 3,240 |
| Of which: Doubtful | 3,624 | 748 | 3,240 |
| Of which: Substandard | - | - | - |
| **Memorandum item:** | | | |
| Defaulted loans | - | - | - |

| **Memorandum item:** | Carrying amount |
|---|---|
| Total customer loans excluding public bodies (Spanish business) | 1,369,910 |
| Total assets (all business) | 2,862,356 |
| Impairment losses and credit risk provisions Total general provisions (all businesses) | 18,746 |

| | Thousands of euros | | |
|---|---|---|---|
| 2014/12/31 | Gross amount | Excess over value of collateral | Impairment allowances Specific provisions |
| Finance granted for construction and property development (business in Spain) | 13,037 | 3,530 | 6,064 |
| Of which: Doubtful | 9,172 | 3,011 | 6,064 |
| Of which: Substandard | - | - | - |
| **Memorandum item:** | | | |
| Defaulted loans | - | - | - |

| | Thousands of euros |
|---|---|
| **Memorandum item:** | Carrying amount |
| Total customer loans excluding public bodies (Spanish business) | 1,274,558 |
| Total assets (all business) | 2,633,407 |
| Impairment losses and credit risk provisions Total general provisions (all businesses) | 19,372 |

The following table provides a breakdown of loans intended for construction and property development at December 31, 2015 and 2014, pertaining to transactions reported by the Banco Caminos Group's credit institutions (businesses in Spain):

| | Thousands of euros | |
|---|---|---|
| | Financing: Gross amount | |
| | 2015 | 2014 |
| **1. Without mortgage collateral** | **1,223** | **2,465** |
| **2. With mortgage collateral (a)** | **5,139** | **10,572** |
| 2.1. Finished buildings (b) | 3,624 | 8,329 |
| 2.1.1. Residences | 3,624 | 8,329 |
| 2.1.2. Other | - | - |
| 2.2. Buildings under construction (b) | - | - |
| 2.1.1. Residences | - | - |
| 2.1.2. Other | - | - |
| 2.3. Land | 1,515 | 2,243 |
| 2.3.1. Developed land | 1,515 | 2,243 |
| 2.3.2. Other land | - | - |
| Total | 6,362 | 13,037 |

(a) This includes all transactions with mortgage guarantees regardless of the percentage of current risk on the latest appraisal available.

(b) If a building's purpose is both residential (housing) and commercial (business offices and / or premises), financing is recognized under the predominating category.

**Home purchase loans (businesses in Spain)**

The table below breaks down the loans provided by the Group to finance home acquisitions at year-end 2015 and 2014 (businesses in Spain):





| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Gross amount | Of which: Doubtful | Gross amount | Of which: Doubtful |
| Residential mortgage loans | 287,613 | 9,562 | 277,384 | 6,419 |
| Without mortgage collateral | 4,234 | 336 | 2,386 | 350 |
| With mortgage collateral | 283,379 | 9,226 | 274,998 | 6,069 |

The following table provides a breakdown of mortgage-backed housing loans granted by the Entity to households at December 31, 2015 and 2014 on the basis of their loan-to-value ratio (LTV, value being the latest available appraisal) (businesses in Spain):

| | Loan to value (a) - Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| 2015/12/31 | LTV ≤ 40% | 40% < LTV ≤ 60% | 60% < LTV ≤ 80% | 80% < LTV ≤ 100% | LTV > 100% | Total |
| Gross amount | 70,563 | 85,039 | 112,910 | 9,962 | 4,905 | 283,379 |
| Of which: doubtful | 1,216 | 729 | 1,656 | 1,365 | 4,260 | 9,226 |

| | Loan to value (a) - Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| 31/12/2014 | LTV ≤ 40% | 40% < LTV ≤ 60% | 60% < LTV ≤ 80% | 80% < LTV ≤ 100% | LTV > 100% | Total |
| Gross amount | 70,787 | 76,710 | 110,313 | 12,589 | 4,599 | 274,998 |
| Of which: doubtful | 1,207 | 842 | 769 | 761 | 2,490 | 6,069 |

a) The loan-to-value ratio (LTV ratio) is the result of dividing the exposure at the reporting date by the latest available appraisal value.

**Disclosures related to real estate assets foreclosed or received in lieu of debt repayment (businesses in Spain)**

The following is a breakdown at both year-ends of the assets received in lieu of debt repayment and the equity interests in and financing granted to companies holding these assets (businesses in Spain):

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Carrying amount | Of which: impairment allowances | Carrying amount | Of which: impairment allowances |
| **1. Properties from financing granted to builders and developers** | **3,241** | **1,639** | **1,642** | **1,700** |
| 1.1.Finished buildings | 3,241 | 1,639 | 1,642 | 1,700 |
| 1.1.1.Residences | 3,241 | 1,639 | 1,642 | 1,700 |
| 1.1.2.Other | - | - | - | - |
| 1.2.Buildings under construction | - | - | - | - |
| 1.2.1.Residences | - | - | - | - |
| 1.2.2.Other | - | - | - | |
| 1.3.Land | - | - | - | - |
| 1.3.1.Developed land | - | - | - | - |
| 1.3.2.Other land | - | - | - | - |
| **2. Properties from foreclosed mortgage loans** | **2,355** | **2,409** | **1,347** | **1,826** |
| **3. Remaining assets receive in settlement of debt (a)** | **5,136** | **1,007** | **3,199** | **2,552** |
| **4.Equity instruments, investments and financing granted to companies holding these assets (b)** | **-** | **-** | **-** | **-** |

(a) Includes real estate assets not arising from the financing of real estate construction and promotion or mortgage loans.

(b) Covers all assets of this nature, including equity instruments, investments and finance to companies holding the assets, real estate firms as discussed in lines 1 to 3 of this table, as well as equity instruments and investments in building and real estate companies in lieu of payment of debts.

Note: Considering the statements used to prepare the above tables, the data within may not always coincide with accounting records.

As indicated in Note 14, all of the properties foreclosed by Banco Caminos, S.A. are held by the Group companies Maxlan, S.A.U. and Gabinete de Estudio y Gestión Jurídica, S.A. The properties deriving from the write-off of loans awarded by Bancofar, S.A. are registered in the latter's name.

It is Group policy to try to sell these properties (a process helped by the fact that none of them are developments under construction) and if their sale is not feasible to rent them out.





At December 31, 2015, foreclosed properties totaled €15.8 million and the associated impairment allowance was €5.1 million (2014: €12.3 million with an associated impairment allowance of €6.1 million).

Almost all of the housing units owned have been rented out so that this situation is not undermining the Group's earnings.

### 7.1.3 Refinancing and restructuring policy for loans and credits

In accordance with Bank of Spain Circular 4/2004, the Bank uses the following definitions:

• A refinancing transaction is one in which, regardless of the holder or guarantees, funds are granted or used for economic or legal reasons related to the holder's financial difficulties to cancel one or various facilities granted by the entity itself, or others from the group, to the holder or another company or other companies from its economic group, or by virtue of which said facilities are fully or partially brought up to date in pending payments with a view to facilitating debt payment (principal and interest) by the holders of the canceled or refinanced facilities since they are unable to, or it is expected that they will be unable to, comply with the established deadlines and conditions.

• A refinanced transaction is one in which payments are fully or partially brought up to date as a consequence of a refinancing transaction carried out by the Parent entity itself or another entity from its economic group.

• A restructuring transaction is one which, for economic or legal reasons related to financial difficulties of the holder, modifies the financial conditions with a view to facilitating payment of the debt (principal and interest) since the holder is unable to, or is expected to be unable to, comply with the established deadlines and conditions, even if said modification was foreseen in the contract. At any rate, transactions are considered to involve restructuring when they involve a haircut or debt-for-equity swap, or when conditions are modified to extend maturity, change the amortization schedule to lower payments in the short term or reduce their frequency, or establish or lengthen the grace period for the principal or interest, or both, except when it is possible to prove that the conditions are being modified for reasons other than financial difficulties of the holder and are similar to those applied in the market for transactions granted to clients with a similar risk profile at the date of modification.

• A transaction is considered to involve renewal when it formally substitutes another transaction granted earlier by the entity itself, without the borrower having, or it being expected that they may have, financial difficulties in the future.  In other words, the transaction is entered into for reasons other than refinancing.

• A transaction is considered to involve renegotiation when the financial conditions are modified and the borrower does not have, and is not expected to have, financial difficulties. In other words, conditions are modified for reasons other than restructuring.

At any rate, to qualify a transaction as a renewal or renegotiation, the holders must have the capacity at the renewal or renegotiation date to carry out transactions in the market for similar amounts and under similar financial conditions to those offered them by the Entity, which in turn must also be similar to the amounts and conditions granted by the Entity to clients with a similar risk profile.

The general guiding principle for the Parent entity is not to carry out refinancing or restructuring transactions unless guarantees are increased or the borrower at least settles the loan interest.

When these new guarantees are provided, their efficacy must be taken into account.

The decisions to refinance or restructure are based on a case-by-case analysis of the transaction, and are submitted to the competent body for approval.

These refinancing and restructuring decisions are periodically reviewed for monitoring purposes.

At December 31, 2015 and 2014, the Entity recognized a series of refinancing transactions on its balance sheet:





| | Thousands of euros (a) | | | |
|---|---|---|---|---|
| 2015/12/31 | Mortgage guarantee | Other collateral | Unsecured | TOTAL |
| Other legal persons and individual entrepreneurs | 141,498 | 2,280 | 15,162 | 158,940 |
| Other natural persons | 38,680 | 2,987 | 2,286 | 43,953 |
| | 180,178 | 5,267 | 17,448 | 202,893 |
| 2014/12/31 | | | | |
| Other legal persons and individual entrepreneurs | 121,858 | 8,709 | 13,118 | 143,685 |
| Other natural persons | 40,629 | 4,774 | 4,577 | 49,980 |
| | 162,487 | 13,483 | 17,695 | 193,665 |

(a) Includes all refinancing, refinanced and restructured transactions, as defined in section 1-g) of Appendix IX of Bank of Spain Circular 4/2004.

Refinancing, refinanced and restructured transactions break down as follows at December 31, 2015 and 2014:

| | STANDARD (b) | | | | | |
|---|---|---|---|---|---|---|
| | Mortgage guarantee | | Other collateral (c) | | Unsecured | |
| 2015/12/31 | Number of transactions | Gross amount (thousands of euros) | Number of Transactions | Gross amount (thousands of euros) | Number of transactions | Gross amount (thousands of euros) |
| 1. Public administrations | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 184 | 78,519 | 4 | 1,695 | 31 | 2,709 |
| Of which: Finance granted for construction and property development | - | - | - | - | - | - |
| 3. Other natural persons | 160 | 21,959 | - | - | 36 | 665 |
| 4. Total | 344 | 100,478 | 4 | 1,695 | 67 | 3,374 |

| | SUBSTANDARD | | | | | | |
|---|---|---|---|---|---|---|---|
| | Mortgage guarantee | | Other collateral (c) | | Unsecured | | |
| 2015/12/31 | Number of transactions | Gross amount (thousands of euros) | Number of Transactions | Gross amount (thousands of euros) | Number of transactions | Gross amount (thousands of euros) | Specific hedge (thousands of euros) |
| 1. Public administrations | - | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 53 | 29,485 | - | - | 4 | 3,958 | (5,696) |
| Of which: Finance granted for construction and property development | - | - | - | - | - | - | - |
| 3. Other natural persons | 26 | 7,728 | 6 | 1,359 | 2 | 116 | (1,354) |
| 4. Total | 79 | 37,213 | 6 | 1,359 | 6 | 4,074 | (7,050) |

| | DOUBTFUL | | | | | | |
|---|---|---|---|---|---|---|---|
| | Mortgage guarantee | | Other collateral (c) | | Unsecured | | |
| 2015/12/31 | Number of transactions | Gross amount (thousands of euros) | Number of Transactions | Gross amount (thousands of euros) | Number of transactions | Gross amount (thousands of euros) | Specific hedge (thousands of euros) |
| 1. Public administrations | - | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 62 | 33,494 | 2 | 585 | 24 | 8,495 | (22,888) |
| Of which: Finance granted for construction and property development | 1 | 431 | - | - | 1 | 2,462 | (2,893) |
| 3. Other natural persons | 40 | 8,993 | 6 | 1,628 | 36 | 1,505 | (4,427) |
| 4. Total | 102 | 42,487 | 8 | 2,213 | 60 | 10,000 | (27,315) |

| | TOTAL | | |
|---|---|---|---|
| 2015/12/31 | Number of transactions | Gross amount (thousands of euros) | Specific hedge (thousands of euros) |
| 1. Public administrations | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 364 | 158,940 | (28,584) |
| Of which: Finance granted for construction and property development | 2 | 2,893 | (2,893) |
| 3. Other natural persons | 312 | 43,953 | (5,781) |
| 4. Total | 676 | 202,893 | (34,365) |

| 2014/12/31 | STANDARD (b) Mortgage guarantee: Number of transactions | Mortgage guarantee: Gross amount (thousands of euros) | Other collateral (c): Number of Transactions | Other collateral (c): Gross amount (thousands of euros) | Unsecured: Number of transactions | Unsecured: Gross amount (thousands of euros) |
|---|---|---|---|---|---|---|
| 1. Public administrations | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 121 | 59,011 | 2 | 828 | 21 | 3,100 |
| Of which: Finance granted for construction and property development | - | - | - | - | - | - |
| 3. Other natural persons | 170 | 24,245 | - | - | 37 | 1,061 |
| 4. Total | 291 | 83,256 | 2 | 828 | 58 | 4,161 |

| 2014/12/31 | SUBSTANDARD Mortgage guarantee: Number of transactions | Mortgage guarantee: Gross amount (thousands of euros) | Other collateral (c): Number of Transactions | Other collateral (c): Gross amount (thousands of euros) | Unsecured: Number of transactions | Unsecured: Gross amount (thousands of euros) | Specific hedge (thousands of euros) |
|---|---|---|---|---|---|---|---|
| 1. Public administrations | - | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 61 | 41,329 | 2 | 4,373 | 3 | 139 | 2,657 |
| Of which: Finance granted for construction and property development | - | - | - | - | - | - | - |
| 3. Other natural persons | 23 | 6,989 | 7 | 2,429 | 5 | 240 | 1,440 |
| 4. Total | 84 | 48,318 | 9 | 6,802 | 8 | 379 | 4,097 |





| 2014/12/31 | DOUBTFUL Mortgage guarantee: Number of transactions | Mortgage guarantee: Gross amount (thousands of euros) | Other collateral (c): Number of Transactions | Other collateral (c): Gross amount (thousands of euros) | Unsecured: Number of transactions | Unsecured: Gross amount (thousands of euros) | Specific hedge (thousands of euros) |
|---|---|---|---|---|---|---|---|
| 1. Public administrations | - | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 76 | 21,518 | 9 | 3,508 | 22 | 9,879 | 11,391 |
| Of which: Finance granted for construction and property development | 20 | 2,034 | 8 | 3,102 | 1 | 2,462 | 5,194 |
| 3. Other natural persons | 40 | 9,395 | 7 | 2,345 | 36 | 3,276 | 6,584 |
| Total | 116 | 30,913 | 16 | 5,853 | 58 | 13,155 | 17,975 |

| 2014/12/31 | TOTAL Number of transactions | Gross amount (thousands of euros) | Specific hedge (thousands of euros) |
|---|---|---|---|
| 1. Public administrations | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 317 | 143,685 | 14,048 |
| Of which: Finance granted for construction and property development | 29 | 7,589 | 5,194 |
| 3. Other natural persons | 325 | 49,980 | 8,024 |
| 4. Total | 642 | 193,665 | 22,072 |

(a) Includes all refinancing transactions and refinanced/restructured transactions in accordance with the definitions given in point (g) of section 1, Appendix IX, Bank of Spain Circular 4/2004.

(b) Normal risks qualified as specially monitored in accordance with point (a) of section 7, Appendix IX, Bank of Spain Circular 4/2004.

(c) Includes transactions covered by partial property mortgage guarantee, that is, with a loan to value ratio greater than 1, and transactions with secured guarantees other than property mortgage guarantees regardless of their loan to value ratio.

The table below shows the amounts at December 31, 2015 and 2014 for transactions that after refinancing or restructuring have been classified as doubtful during the period:

| | Mortgage guarantee | | Other collateral | | Unsecured | |
|---|---|---|---|---|---|---|
| 2015/12/31 | Number of transactions | Gross amount (thousands of euros) | Number of transactions | Gross amount (thousands of euros) | Number of transactions | Gross amount (thousands of euros) |
| 1. Public administrations | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 49 | 30,556 | - | - | 15 | 2,480 |
| Of which: Finance granted for construction and property development | - | - | - | - | - | - |
| 3. Other natural persons | 8 | 739 | - | - | 7 | 330 |
| 4. Total | 57 | 31,295 | - | - | 22 | 2,810 |
| 2014/12/31 | | | | | | |
| 1. Public administrations | - | - | - | - | - | - |
| 2. Other corporate persons and individual entrepreneurs | 25 | 7,262 | 2 | 1,154 | 8 | 2,268 |
| Of which: Finance granted for construction and property development | 2 | 176 | 2 | 1,154 | - | - |
| 3. Other natural persons | 8 | 1,531 | 1 | 364 | 9 | 151 |
| 4. Total | 33 | 8,793 | 3 | 1,518 | 17 | 2,419 |

### 7.1.4.Practices for ensuring the responsible grant of consumer loans and credit facilities.

The Bank has a Credit Risk Policies Manual, the latest update to which was approved by its Board of Directors on December 29, 2015.



This document is adapted for Spanish Law 16/2011 on Consumer Credit Agreements, Ministerial Order EHA/2899/2011 on banking service transparency and customer protection, and Bank of Spain Circular 5/2012 (of June 27, 2012), as amended by Bank of Spain Circular 4/2015 (July 29, 2015) on banking service transparency and responsible loan granting on the part of credit institutions and payment service providers.

The Group Risk Control Department is tasked with updating these policies and procedures as required by evolving circumstances and the needs unfolding in the course of the pursuit of the Bank's lending business and in light of the broader economic and financial situation and prevailing applicable regulations.

## 7.2.MARKET RISK.

Market risk includes risks resulting from possible negative variances in interest rates on assets and liabilities, exchange rates applicable to significant balance sheet and income statement figures or off-balance sheet figures, and market prices of financial instruments held for trading.

The sophistication of the monitoring and measuring processes is in line with the risk assumed by the Group; therefore, it considers that market risk management is adequate.

None of the financial instruments traded in active markets held by the Group at either year-end became relatively illiquid during the reporting periods.

### 7.2.1.Interest rate risk.

This risk is understood as the sensitivity of interest income to changes in market interest rate.

In order to adequately measure interest rate risk, the Banco Caminos Group assesses its main sources - repricing and rate curve risk, among other factors - which it in turn approaches from two complementary standpoints: the impact on net interest margin (short term) and on economic value (long term).

The management objective is to foster stability in both the net interest margin and the Group's value in the event of movements in market rates, while respecting the established solvency and other regulatory limits.

The Group's efforts to control and monitor management of its structural interest rate risk is based on a universe of metrics and tools that enable correct oversight of its risk profile.

**Sensitivity to interest-rate risk**
The table below reflects internal sensitivity analysis performed by the Bank at the consolidated level by modeling the sensitivity of its economic value and net interest margin to movements in interest rates as of December 31, 2015:

| | Thousands of euros | |
|---|---|---|
| | Impact on economic value | Impact on net interest margin |
| 200 basis point increase in Euribor | (20,969) | 4,389 |
| 200 basis point decrease in Euribor | 15,028 | 448 |

The Bank's estimates as of year-end 2014 were the following:

| | Thousands of euros | |
|---|---|---|
| | Impact on economic value | Impact on net interest margin |
| 200 basis point increase in Euribor | (3,733) | 5,327 |
| 200 basis point decrease in Euribor | 24,925 | (728) |

The above sensitivity analyses factor in the transactions outstanding at year-end. Given the financial situation in Spain and abroad, the sensitivity analysis was performed using the assumptions shown in the table above as it is not possible to reasonably estimate the probability of the various interest-rate scenarios.





### 7.2.2.Price risk.
Price risk derives from exposure to adverse changes in market prices due to either factors specific to the financial instrument itself or factors affecting all market-traded instruments.

The Group's Treasury and Capital Markets divisions' performance in markets is geared to taking advantage of business opportunities which present themselves (financial assets and liabilities held for trading), and provide services to carry out transactions defined by the governing bodies responsible for the overall management of interest rate and liquidity risk which make up the Entity's remaining portfolio (Available-For-Sale Financial Assets, Portfolios At Fair Value through Profit and Loss, and Held-To-Maturity Investments).

In order to carry out these functions, the financial instruments authorized by the Board and/or the Executive Committee have been used; the internal limits and procedures for measuring each product's risk, generally high volumes of liquid assets, within current market trends.

The Group's portfolio of held-for-trading assets and liabilities is not subject to capital requirements on account of price risk as the average balance falls below the thresholds stipulated in capital adequacy legislation and the profits made on this book derive from intra-day trading.

In order to measure the Price Risk of all the Bank's portfolios, the Group utilizes control methodology established to monitor invested financial instruments, based on a daily behavioral price analysis, using objective and consistent methodology which is analyzed by the risks control group as well as a third party on a daily basis.

This is intended to find a short average life for the portfolio, in order to minimize the impact on equity as compared to its excess.

### 7.2.3.Currency risk.
The Group has no significant exposure to currency risk as of December 31, 2015 and 2014.

## 7.3.LIQUIDITY RISK.

This risk refers to the possibility of the Entity encountering difficulty in having or raising sufficient funds at an adequate cost to meet its payment commitments.

Liquidity is a key factor in Banco Caminos' strategy; it is managed based on exhaustive daily control of the liquidity situation of the Parent Entity.

Management of liquidity risk is articulated as follows:

• Senior Management is ultimately responsible for its management.

• The Investment Committee continually analyzes the target liquidity position and designs strategies to secure and/or anticipate the financing requirements deriving from the Entity's business activities, all of which underpinned by guidelines set by Senior Management and taking into special consideration the reports provided by the external expert engaged by the Assets and Liabilities Committee (ALCO).

• The Finance Department is tasked with everyday liquidity management and executing the initiatives approved by the Investment Committee.

• The Global Risk Control Department is tasked with monitoring and controlling the established limits and reporting periodically on trends in the Entity's liquidity.

Liquidity and financing decision-making is based on comprehension of the Entity's current situation (environment, strategy, balance sheet and liquidity statement), the future liquidity needs of its various businesses (liquidity projections) and the status of its sources of wholesale funding and access thereto. The Entity's aim is to guarantee the maintenance of sufficient levels of liquidity to cover its short- and long-term requirements from stable sources of funding, optimizing the impact of their cost on its income statement.





Throughout 2015, Banco Caminos' liquidity performance was shaped by:

• Maintaining a balance between exposure to liquidity risk, meaning term risk (short and long term) and the various sources of fund flows (inflows and outflows).

• Complying with the ratios laid down in applicable regulations, including the Liquidity Coverage Ratio (LCR), which at year-end 2015 was significantly above the minimum threshold.

• Holding an ample liquidity buffer in the form of last-resort funds in the event of heightened market stress, meaning times in which it is not possible to obtain financing at satisfactory prices or maturities.

• Increasing the guarantees securing the Bank of Spain Credit Policy. The Group has pledged securities to guarantee the Bank of Spain Credit Policy in the amount of €486 million (year-end 2014: €531 million). At year-end 2015, this policy was drawn down in the amount of €359 million (year-end 2014: €342 million). Note that the amounts disclosed in this section are those provided by the Bank of Spain (in turn obtained valuing the Eurocartera by ISIN and issuer credit rating) using different measurement criteria to those used for accounting purposes.

The breakdown of the Entity's basic liquidity position is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| **Liquidity Banco Caminos** | **243,562** | **411,707** |
| Deposits lent | - | 60,059 |
| Available debt | 167,697 | 248,508 |
| Cash and cash equivalents balance | 75,865 | 103,140 |
| **Bank of Spain credit facility** | **126,760** | **129,581** |
| Bank of Spain credit facility (Eurosystem) | 126,760 | 129,581 |
| **Total balance** | **370,322** | **541,288** |
| Available-for-sale fixed-income securities | 65,117 | 48,665 |
| **Total balance (including portfolio)** | **435,439** | **589,953** |

Below is a breakdown of the Group's financial instruments by residual maturity periods as of December 31, 2015 and 2014. The maturity dates considered when preparing the breakdown below are the expected maturity dates as per contractual conditions. The breakdown depicts a short-term liquidity gap for the Group, a common feature of the retail banking business; however, historic experience with these deposits shows stable performance over time:

Thousands of euros

| 2015/12/31 | Upon demand | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | Over 5 years | Unspecified and unclassified maturity | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and balances with central banks | 77,453 | - | - | - | - | - | - | - | 77,453 |
| Loans and advances to credit institutions | 55,274 | - | - | - | - | - | - | - | 55,274 |
| Loans and advances to other debtors | 99,559 | 3,766 | 101,769 | 42,711 | 32,133 | 134,603 | 1,055,110 | | 1,469,651 |
| Debt securities | - | - | - | 7,186 | 60,060 | 775,826 | 324,238 | - | 1,167,310 |
| Other assets by maturity date | 9,260 | - | - | - | - | - | - | - | 9,260 |
| Total | 241,546 | 3,766 | 101,769 | 49,897 | 92,193 | 910,429 | 1,379,348 | - | 2,778,948 |
| **Liabilities** | | | | | | | | | |
| Deposits from central banks | 41 | 37,000 | 80,000 | - | 200 | 242,000 | - | - | 359,241 |
| Deposits from credit institutions | 53,840 | 99,484 | - | - | 20,000 | - | - | - | 173,324 |
| Deposits from other creditors | 757,942 | 151,530 | 111,428 | 231,257 | 312,755 | 430,663 | 61,295 | - | 2,056,870 |
| Other liabilities by maturity date | 11,444 | - | - | - | - | - | - | - | 11,444 |
| Total | 823,267 | 288,014 | 191,428 | 231,257 | 332,955 | 672,663 | 61,295 | - | 2,600,879 |
| **Gap** | **(581,721)** | **(284,248)** | **(89,659)** | **(181,360)** | **(240,762)** | **237,766** | **1,318,053** | **-** | **178,069** |
| **Accumulated gap** | **(581,721)** | **(865,969)** | **(955,628)** | **(1,136,988)** | **(1,377,750)** | **(1,139,984)** | **178,069** | **178,069** | |

Thousands of euros

| 2014/12/31 | Upon demand | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 5 years | Over 5 years | Unspecified and unclassified maturity | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and balances with central banks | 104,565 | - | - | - | - | - | - | - | 104,565 |
| Loans and advances to credit institutions | 42,488 | 57,961 | - | - | - | | - | 3,260 | 103,709 |
| Loans and advances to other debtors | 101,390 | 7,324 | 39,442 | 10,013 | 119,464 | 86,547 | 1,019,649 | - | 1,383,829 |
| Debt securities | 240 | 2,997 | | 718 | 12,228 | 680,655 | 313,605 | - | 1,010,443 |
| Other assets by maturity date | 6,068 | - | - | - | - | - | - | - | 6,068 |
| Total | 254,751 | 68,282 | 39,442 | 10,731 | 131,692 | 767,202 | 1,333,254 | 3,260 | 2,608,614 |
| **Liabilities** | | | | | | | | | |
| Deposits from central banks | - | 157,958 | 65,000 | - | - | 122,000 | - | - | 344,958 |
| Deposits from credit institutions | 18,521 | | - | 1,000 | 4,000 | 11,000 | - | - | 34,521 |
| Deposits from other creditors | 699,693 | 95,954 | 104,731 | 142,063 | 275,988 | 592,585 | 68,832 | 526 | 1,980,372 |
| Other liabilities by maturity date | 8,778 | - | - | - | - | - | - | - | 8,778 |
| Total | 726,992 | 253,912 | 169,731 | 143,063 | 279,988 | 725,585 | 68,832 | 526 | 2,368,629 |
| **Gap** | **(472,241)** | **(185,630)** | **(130,289)** | **(132,332)** | **(148,296)** | **41,617** | **1,264,422** | **2,734** | **239,985** |
| **Accumulated gap** | **(472,241)** | **(657,871)** | **(788,160)** | **(920,492)** | **(1,068,788)** | **(1,027,171)** | **237,251** | **239,985** | |

In respect of the tables above, note that although the current and savings accounts held by customers at the Bank have been classified in accordance with their contractual terms as demand deposits, management estimates a longer actual settlement term for these liabilities.

## 7.4.FAIR VALUE OF FINANCIAL INSTRUMENTS.

The tables below summarize the fair values of the Group's financial instruments at December 31, 2015 and 2014 by classes of financial assets and liabilities broken down into the following fair value hierarchy levels:

• **Level 1:** Financial instruments whose fair value was determined using market prices, with no modifications made.

• **Level 2:** Financial instruments whose fair value has been calculated using valuation techniques which reference quotations of similar instruments or inputs based on directly or indirectly observable market data.

• **Level 3:** Financial instruments whose fair value has been calculated using valuation techniques in which one of the inputs is not based on observable market data.

For fair value hierarchy determination purposes, an input is deemed significant when it is important to the measurement of fair value in its entirety.

The following table summarizes the carrying amounts of financial instruments based on their fair value hierarchy levels.

Thousands of euros

| 2015/12/31 | Level 1 | Level 2 | Level 3 | Total fair value | Total balance |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and deposits at central banks | 77,453 | - | - | 77,453 | 77,453 |
| Held for trading | 5,352 | 3,427 | 1,423 | 10,202 | 10,202 |
| Other financial assets measured at fair value through profit or loss: | 17,210 | 1,120,668 | 7,266 | 1,145,144 | 1,145,144 |
| Available-for-sale financial assets | | | | | |
| Loans and advances | | | | | |
| Deposits at credit institutions | - | - | 55,274 | 55,274 | 55,274 |
| Loans and advances to other debtors | - | - | 1,369,910 | 1,369,910 | 1,369,910 |
| Held-to-maturity investments | - | 103,411 | - | 103,411 | 97,583 |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Deposits from central banks | - | - | 359,241 | 359,241 | 359,241 |
| Deposits from credit entities | - | - | 173,324 | 173,324 | 173,324 |
| Customer deposits | - | - | 2,056,870 | 2,056,870 | 2,056,870 |
| Other financial liabilities | - | - | 26,541 | 26,541 | 26,541 |





Thousands of euros

| 2014/12/31 | Level 1 | Level 2 | Level 3 | Total fair value | Total balance |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and deposits at central banks | 104,565 | - | - | 104,565 | 104,565 |
| Held for trading | 5,747 | 3,151 | 1,599 | 10,497 | 10,497 |
| Available-for-sale financial assets | 9,133 | 1,010,012 | 6,793 | 1,025,938 | 1,025,938 |
| Loans and advances | | | | | |
| Deposits at credit institutions | - | - | 103,709 | 103,709 | 103,709 |
| Loans and advances to other debtors | - | - | 1,274,558 | 1,274,558 | 1,274,558 |
| Held-to-maturity investments | - | 12,353 | - | 12,353 | 12,353 |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Deposits from central banks | - | - | 344,958 | 344,958 | 344,958 |
| Deposits from credit entities | - | - | 34,521 | 34,521 | 34,521 |
| Customer deposits | - | - | 1,980,372 | 1,980,372 | 1,980,372 |
| Other financial liabilities | - | - | 29,935 | 29,935 | 29,935 |

The general criteria used by the Group to estimate the fair value of its financial instruments are:

• In the event that an active market publishes observable quoted prices and that market is considered sufficiently deep, those prices are used to obtain the instruments' fair value.

• For instruments traded in an inactive market or for which there is no market, fair value is usually determined for initial recognition purposes using their acquisition cost. Subsequently, if their fair value cannot be reliably estimated by observing recent transactions in identical or similar instruments or on the basis of recent transaction prices, or using a valuation model in which all the variables are taken exclusively from market-observable inputs, the fair values shown in the tables above is based on their cost and is presented as “Level 3” for fair value hierarchy purposes.

• In the specific cases of financial assets classified as cash and deposits due from central banks and loans and advances, on the one hand, and liabilities classified as financial liabilities at amortized cost, on the other, in the tables above, the Bank's management believes, on account of the nature of their interest rates, terms to maturity and counterparties, etc., that their carrying amounts (amortized cost) do not differ significantly from their fair values; accordingly, amortized cost is used as a proxy for their fair value.

No balances were transferred between the various hierarchy levels in either 2015 or 2014.

# 8.CASH AND BALANCES WITH CENTRAL BANKS

The breakdown of "Cash and balances with central banks" as per the accompanying consolidated balance sheet as of December 31, 2015 and 2014 is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Cash | 1,587 | 1,425 |
| Bank of Spain | 75,866 | 103,140 |
| Total | 77,453 | 104,565 |

The balance of the current account at the Bank of Spain is used to comply with minimum cash ratio requirements.

The Group did not accrue material sums of interest on the account held at the Bank of Spain in either reporting period.



When preparing the cash flow statement, the Group has considered the balance of this consolidated balance sheet heading as that of "Cash and cash equivalents".

# 9.FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The breakdown of these financial asset and liability consolidated balance sheet headings is the following:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2015 | 2014 | 2015 | 2014 |
| Debt securities | 959 | 936 | - | - |
| Equity instruments | 7,820 | 7,962 | - | - |
| Derivatives | | | | |
| Derivative over securitized bond flows | 1,423 | 1,599 | - | - |
| Total | 10,202 | 10,497 | - | - |

The breakdown of debt securities included in the trading portfolio is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Public sector – Spain | 555 | 454 |
| Credit institutions | 25 | 192 |
| Other resident sectors | 379 | 290 |
| Other non-resident sectors | - | - |
| Total | 959 | 936 |

The breakdown of the equity instruments included in the held-for-trading portfolio is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| UCITS | 2,468 | 2,215 |
| Shares listed on official exchanges | 5,352 | 5,747 |
| Total | 7,820 | 7,962 |

The maturity of the derivative contract written over securitized bond flows is linked to the loans extended by the Bank to TDA 20 Mixto, F.T.A. (Note 11.2). Also, the notional amount of the contract is linked to the outstanding balance of the loans extended to that securitization SPV by Banco Caminos.





# 10.OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Bank did not have financial assets or liabilities at fair value through profit or loss at either December 31, 2015 or December 31, 2014.

Nor did the Entity generate income or incur costs in connection with assets or liabilities classified within this portfolio in 2015 (2014: income of €66 thousand).

# 11.AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this consolidated balance sheet heading is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Debt securities | 1,068,768 | 997,154 |
| Other equity instruments | 76,376 | 28,784 |
| Total | 1,145,144 | 1,025,938 |

## 11.1.DEBT SECURITIES.

The breakdown of debt securities classified by counterparty is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Spanish general government | 697,366 | 630,721 |
| Credit institutions | 104,634 | 93,391 |
| Other resident sectors | 250,759 | 266,930 |
| Other non-resident sectors | 16,009 | 6,112 |
| Impairment allowances | - | - |
| Total | 1,068,768 | 997,154 |

At December 31, 2015, the portfolio of available-for-sale financial assets included debt securities denominated in foreign currency in the amount of €5,444 thousand (2014: €7,604 thousand).

Interest accrued on debt securities in 2015 amounted to €20,732 thousand (2014: €22,755 thousand). The related average interest rate was 2.05% and 2.55% in 2015 and 2014 respectively.

Of these assets, the Group had sold €254,757 thousand to other creditors under repurchase agreements at December 31, 2015 (2014: €121,238 thousand). The assets sold are recognized under liabilities on the consolidated balance sheet for the amount contracted with the counterparty.

At December 31, 2015, there were securities serving as collateral for intra-day financial and monetary policy transactions included "Available-for-sale financial assets" amounting to €500,881 thousand (2014: €531,225 thousand).

The breakdown of this heading by residual maturity is set forth in Note 7.3.





## 11.2.OTHER EQUITY INSTRUMENTS.

The breakdown of this heading as of December 31, 2015 and 2014, by issuer, is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| From credit institutions | 4,618 | 2,726 |
| From other resident sectors | 19,858 | 13,676 |
| Shares in collective investment institutions | 51,900 | 12,382 |
| Total | 76,376 | 28,784 |

“Other equity instruments” as of December 31, 2015 and 2014 by listed and unlisted instruments, as well as related percentages as compared with total instruments included in this heading, is detailed as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Thousands of euros | % of total instruments | Thousands of euros | % of total instruments |
| Listed | 69,110 | 90% | 21,991 | 76% |
| Unlisted | 7,266 | 10% | 6,793 | 24% |
| Total | 76,376 | 100% | 28,784 | 100% |

The investments qualifying as 'listed' include shares quoted on organized exchanges and interests in collective investment undertakings.

The investments classified as 'unlisted' in the table above mainly include: the investment in Gesconsult, S.G.I.I.C., S.A., in which the Group holds a direct shareholding of 18% (cost of this investment: €1,530 thousand) (2014: €1,530 thousand), an investment in a private equity fund in the amount of €4,562 thousand (2014: €3,133 thousand) and the Group's 0.07% interest in the SAREB, which is carried at €600 thousand (2014: €800 thousand).

## 11.3.IMPAIRMENT ALLOWANCES.

The following reflects impairment allowances for "Available-for-sale financial assets" recognized by the Group as of December 31, 2015 and 2014; the amounts for both years were included in the general provision:

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| Balance at January 1 | (958) | - |
| Allowance recognized against profit or loss for the year | (200) | (958) |
| Balance at December 31 | (1.158) | (958) |

## 11.4.UNREALIZED GAINS OR LOSSES RESERVE.

The breakdown of “Unrealized gains (losses) reserve” under “Equity” as of December 31, 2015 and 2014 recognized as a result of changes in the fair value of the assets in this category is as follows:

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| Debt securities | 24,113 | 31,274 |
| Other equity instruments | (1,140) | 1,128 |
| Total | 22,973 | 32,402 |





# 12.LOANS AND RECEIVABLES

The breakdown of this consolidated balance sheet heading is the following:

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| Loans and advances to credit institutions | 55,274 | 103,709 |
| Loans and advances to other debtors | 1,369,910 | 1,274,558 |
| Total | 1,425,184 | 1,378,267 |

## 12.1.LOANS AND ADVANCES TO CREDIT INSTITUTIONS.

The breakdown of this consolidated balance sheet heading, by type of instrument, is the following:

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| Time deposits | 500 | 385 |
| Reverse repurchase agreements | - | 60,059 |
| Other accounts | 54,773 | 43,265 |
| Valuation adjustments | | |
| Accrued interest | 1 | - |
| Total | 55,274 | 103,709 |

The Bank had €5,403 thousand and €3,743 thousand in loans and advances to credit institutions denominated in currencies other than the euro at December 31, 2015 and 2014, respectively.

In 2015 and 2014, the average annual interest rate was 0.01% and 0.01%, respectively.

The breakdown of this heading by residual maturity is set forth in Note 7.3.

# 12.2.LOANS AND ADVANCES TO OTHER DEBTORS.

The breakdown of these consolidated balance sheet headings, by type of transaction, credit status and counterparty, is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| **Transaction and credit status:** | | |
| Commercial bills | 362 | 233 |
| Secured loans | 1,135,284 | 997,227 |
| Other term loans | 187,231 | 234,185 |
| Finance leases | 713 | 1,042 |
| Demand and sundry accounts | 15,651 | 15,646 |
| Other financial assets | 5,591 | 9,760 |
| Doubtful assets | 124,819 | 125,921 |
| Valuation adjustments (a) | (99,741) | (109,456) |
| Total | 1,369,910 | 1,274,558 |
| **Sector:** | | |
| Spanish general government | - | - |
| Other resident sectors | 1,355,681 | 1,262,508 |
| Other non-resident sectors | 14,229 | 12,050 |
| Total | 1,369,910 | 1,274,558 |
| **Currency:** | | |
| Euro | 1,369,910 | 1,274,508 |
| Other currencies | - | - |
| Total | 1,369,910 | 1,274,558 |
| **Interest rate:** | | |
| Fixed interest rate | 117,405 | 104,451 |
| Variable interest rate | 1,252,505 | 1,170,107 |
| Total | 1,369,910 | 1,274,558 |

(a) In 2014, these adjustments include €67,196 thousand euros (Notes 1.2 and 12.3) corresponding to impairment losses on assets acquired on July 1, 2014 as part of the business combination arising from the acquisition of a 78.92% shareholding in Bancofar, S.A. As indicated in Note 1.2, although these assets have been recognized at fair value, in order to facilitate a comparative analysis with other entities and, accordingly, for presentation purposes only, the impairment losses recognized by Bancofar, S.A. at the time of the business combination are shown here.

"Secured loans" includes approximately €524,867 thousand in loans backed by mortgage guarantee at December 31, 2015 (€439,188 thousand at December 31, 2014, "Other term loans" includes €2,222 thousand of subordinated loans at December 31, 2015 (2014: €2,222 thousand).





The breakdown of these items by remaining term to maturity is provided in Note 7.3.

The average annual interest rate on the financial assets recognized under this heading in 2015 and 2014 was approximately 3.05% and 3.0%, respectively.

In 2015 and 2014, the Parent renegotiated the terms of certain transactions with debtors, modifying the original terms of those transactions, specifically obtaining additional guarantees with respect to those originally secured, generating higher certainty for the Entity as to their repayment. The breakdown of the transactions renegotiated by the Parent in recent years, up until December 31, 2015, transactions which it is believed, had they not been renegotiated might now be non-performing or classified as doubtful (impaired), is provided below:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Loans and advances to other debtors | | |
| Secured by mortgage guarantees | 135,356 | 117,719 |
| Secured by personal guarantees | 15,783 | 15,864 |
| Total | 151,139 | 133,583 |

In 2004, the Entity securitized loans to customers with live balances of €12,130 and €15,188 thousand as of December 31, 2015 and 2014, respectively. In accordance with the criterion described in Note 3.9, these assets were not cancelled.

The breakdown of securitized assets that have not been derecognized, by type of asset, is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Mortgage loans | 12,130 | 15,188 |
| Total | 12,130 | 15,188 |

Although the assets above were transferred to the TDA Mixto 20, F.T.A. securitization fund, the Group has not derecognized them given that it has substantially retained the risks (credit risks) associated with these assets.

At December 31, 2015, the Parent held bonds issued by the securitization fund to which these assets were transferred (which are secured by the assets securitized by the Bank) in an amount of €8,535 thousand (year-end 2014: €10,185thousand). At the reporting date, the amount of the aforementioned bonds is presented by netting the account called “Financial liabilities issued” from “Deposits from other creditors” in the accompanying consolidated balance sheet (Note 18.3).

The breakdown of liabilities recognized as a result of the cancellation of the assets above is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Financial liabilities at amortized cost (Note 18.3) | 3,595 | 5,004 |
| Total | 3,595 | 5,004 |

The breakdown of the valuation adjustments made to transactions classified under “Loans and advances to other debtors” is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Valuation adjustments | | |
| Impairment allowances | (100,011) | (108,929) |
| Accrued interest | 3,269 | 2,626 |
| Fees and commissions | (3,000) | (3,153) |
| Total | (99,741) | (109,456) |

The classification of impaired assets pending collection based on related ages is the following:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| 2015 | Up to 6 Months | 6 to 9 months | 9 to 12 months | Over 12 Months | Total |
| Unsecured loans | 27,732 | 6,555 | 4,524 | 29,360 | 68,171 |
| Other loans with mortgage guarantees on finished dwellings | 14,811 | 3,798 | 811 | 20,676 | 40,096 |
| Other secured loans | 6,222 | 581 | 371 | 9,378 | 16,552 |
| Total | 48,765 | 10,934 | 5,706 | 59,414 | 124,819 |

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| 2014 | Up to 6 Months | 6 to 9 months | 9 to 12 months | Over 12 Months | Total |
| Unsecured loans | 28,322 | 7,095 | 2,934 | 25,543 | 63,894 |
| Other loans with mortgage guarantees on finished dwellings | 17,388 | 3,830 | 2,060 | 21,470 | 44,748 |
| Other secured loans | 7,308 | 803 | 761 | 8,407 | 17,279 |
| Total | 53,018 | 11,728 | 5,755 | 55,420 | 125,921 |

Accumulated accrued financial income not recognized in the 2015 and 2014 consolidated income statements from impaired loans to customers amounted to €4,855 thousand, and €4,010 thousand, respectively.

At December 31, 2015 and 2014, doubtful assets are secured by the following guarantees or credit improvements in addition to the guarantees provided by the respective borrowers (shown at fair value as of the date the loan was granted).

| | Thousands of euros |
|---|---|
| 2015 | 36,934 |
| 2014 | 47,668 |

The movement in impaired financial assets derecognized from assets given that the likelihood of their recovery is considered remote is the following:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Opening balance | 9,917 | 847 |
| **Additions** | **10.926** | **10.316** |
| Arising from a business combination (Bancofar) | - | 6,657 |
| With a charge against asset impairment allowances | 10,661 | 3,306 |
| Charged directly against profit and loss | 40 | 135 |
| Products past due and not collected | 225 | 218 |
| **Recoveries** | **(1,901)** | **(1,246)** |
| Due to forgiveness | (1,856) | (1,185) |
| Collected in cash without additional financing | (45) | (61) |
| Prescribed | - | - |
| Closing balance | 18,942 | 9,917 |

## 12.3.IMPAIRMENT LOSSES.

Impairment losses on assets included under “Loans and receivables” recognized at December 31, 2015 and 2014 are broken down as follows:

Thousands of euros

| 2015 | Individually assessed | General | Total |
|---|---|---|---|
| Balance at December 31, 2014 | (89,557) | (19,372) | (108,929) |
| Allowances charged to profit and loss | (27,221) | (4,462) | (31,683) |
| Measured on an individual basis | (27,221) | - | (27,221) |
| Measured collectively | - | (4,462) | (4,462) |
| Allowances reversed through profit and loss | 21,524 | 5,088 | 26,612 |
| | (5,697) | 626 | (5,071) |
| Net allowances for 2015 | 2,402 | - | 2,402 |
| Amounts written off against allowances | 11,587 | - | 11,587 |
| Balance at December 31, 2015 | (81,265) | (18,746) | (100,011) |

Thousands of euros

| 2014 | Individually assessed | General | Total |
|---|---|---|---|
| Balance at December 31, 2013 | (28,233) | (3,930) | (32,163) |
| Arising from a business combination (Bancofar) (a) | (57,534) | (9,662) | (67,196) |
| Allowances charged to profit and loss | (13,230) | (5,780) | (19,010) |
| Measured on an individual basis | (13,230) | - | (13,230) |
| Measured collectively | - | (5,780) | (5,780) |
| Allowances reversed through profit and loss | 5,259 | - | 5,259 |
| Net allowances for 2014 | (7,971) | (5,780) | (13,751) |
| Amounts written off against allowances | 4,181 | - | 4,181 |
| Balance at December 31, 2014 | (89,557) | (19,372) | (108,929) |

(a) Impairment losses on assets acquired on July 1, 2014 as part of the business combination arising from the acquisition of 78.92% of Bancofar, S.A. As indicated in Note 1.2, although these assets have been recognized at fair value, in order to facilitate a comparative analysis with other entities and, accordingly, for presentation purposes only, the impairment losses recognized by Bancofar, S.A. at the time of the business combination are shown here.

The breakdown of “Impairment losses – Loans and receivables” as per the income statement as of December 31, 2015 and 2014 is the following:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Net allowances for the year | (5,071) | (13,751) |
| Defaulted loans collected | 45 | 61 |
| Direct write-off of assets | (40) | (136) |
| Others | - | - |
| Total | (5,066) | (13,826) |

As of December 31, 2015 and 2014 impairment losses recognized cover the minimum provisions required by the Bank of Spain given the status and types of transactions and borrowers.

# 13.HELD-TO-MATURITY INVESTMENTS

The breakdown of this consolidated balance sheet heading is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Bonds and debentures | | |
| Spanish government debt securities | 74,163 | 10,153 |
| Other fixed income | 23,420 | 2,200 |
| Impairment losses | - | - |
| Total | 97,583 | 12,353 |

All the securities assigned to this portfolio as of December 31, 2015 and 2014 were denominated in euros.

The heading “Other fixed income” in the table above comprises 22 subordinated bonds issued by the SAREB. Each bond has a face value of 100 thousand euros; these bonds are due on November 27, 2027 and pay interest at an annual rate of 8%.

Interest accrued on the held-to-maturity portfolio in 2015 amounted to €962 thousand (2014: €486 thousand). The average interest rate accrued on the securities in this portfolio was approximately 2.29% and 4.65% in 2015 and 2014, respectively

Of the securities included in the held-to-maturity portfolio, at year-end 2015, the Entity had temporarily loaned customers an effective amount of €8,556 thousand (year-end 2014: securities pledged as collateral of €4,931 thousand) and held securities by way of collateral in the amount of €48,753 thousand (year-end 2014: it did not hold securities by way of collateral).

The breakdown of this heading by residual maturity is set forth in Note 7.3.



## 13.1.IMPAIRMENT LOSSES.

The Group did not recognize any impairment losses on held-to-maturity assets in either 2015 or 2014.

# 14.NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The breakdown of these balance sheet headings in 2015 and 2014 is the following:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Assets | Liabilities | Assets | Liabilities |
| Assets awarded in payment of debts | 15,787 | - | 12,266 | - |
| Impairment allowances | (5,055) | - | (6,078) | - |
| Total | 10,732 | - | 6,188 | - |

The fair value of each of the assets awarded is higher than the corresponding carrying amount recognized.

The movement in these balance sheet headings in 2015 and 2014 is as follows:

| | Thousands of euros | |
|---|---|---|
| | Asset | Liabilities |
| Balance at December 31, 2013 | 12.118 | - |
| Increases | 2,999 | - |
| Retirements | (2,851) | - |
| Transfers | - | - |
| Balance at December 31, 2014 | 12,266 | - |
| Increases | 6,429 | - |
| Retirements | (2,908) | - |
| Transfers | - | - |
| Balance at December 31, 2015 | 15,787 | - |

The breakdown of assets awarded in payment of debts is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Real estate | 15,787 | 12,266 |
| Land | - | |
| Total | 15,787 | 12,266 |

Law 8/2012 of October 30, on the write-down and sale of the financial sector's real estate assets, establishes that foreclosed assets or those received in payment of debts related to land for property development and construction or real estate promotions of credit entities, both those existing at December 31, 2012 and those from subsequent dates, must be delivered by the credit entities to a public limited company for their management. In addition, it establishes that this must occur before the deadline set for allocations of provisions as applicable to the entity in accordance with articles 1 and 2 of Royal Decree Law 2/2012.

At December 31, 2015 and 2014, the companies in which the Bank holds interests and that have non-current assets held for sale are the following:

| | Ownership interest, % | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Direct | Indirect | Direct | Indirect |
| Maxlan, S.A.U. | 100.00% | - | 100.00% | - |
| Gabinete de Estudio y Gestión Jurídica, S.A. | - | - | 54.52% | 45.48% |
| Bancofar, S.A. | 81.27% | - | 78.92% | - |

Significant disclosures with respect to these companies:

• At December 31, 2015, the accumulated volume (carrying amount of the assets as of the date of transfer) of the assets transferred to these companies stood at €20,903 thousand (year-end 2014: €15,300 thousand).

• The carrying amount at year-end 2015 of the financial assets received from these companies in exchange for the non-current assets held for sale stood at €15,788 thousand (year-end 2014: €12,266 thousand).

• No non-current assets held for sale were transferred to any of the Group companies in either 2015 or 2014.

• The credit lines granted to asset management companies have the following characteristics:

| Balance at December 31, 2015: | €10,252 thousand |
|---|---|
| Interest rate: | Between 1.75% and 2.5% |
| Maturity: | Between 2018 and 2054 |
| Purpose: | Financing acquisition of assets and credit insurance |
| Accounting classification: | All credit lines are classified as standard |

| Balance at December 31, 2014: | €7,312 thousand |
|---|---|
| Interest rate: | Between 2.5% and 3.5% |
| Maturity: | Between 2015 and 2054 |
| Purpose: | Financing acquisition of assets and credit insurance |
| Accounting classification: | All credit lines are classified as standard |

The following table provides a breakdown of impairment losses for “Non-current assets held for sale” recognized by the Group as of December 31, 2015 and 2014:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| **Balance at January 1** | **(6,078)** | **(4,538)** |
| Net allowances | (1,246) | 476 |
| Other movements | 2,269 | (2,016) |
| **Balance at December 31** | **(5,055)** | **(6,078)** |





# 15.INVESTMENTS

Below is a summary of the equity interests in subsidiaries, jointly controlled entities and associates of significance acquired and disposed of during 2015:

• In 2015, the Bank acquired shares of Bancofar, S.A. for €1,233 thousand, lifting its shareholding in this entity from 78.92% in 2014 to 81.27% at year-end 2015.

• On October 5, 2015, the Bank invested €5,599 thousand in Gabinete de Estudio y Gestión Jurídica, S.A. as part of a rights issue approved at this investee's Extraordinary General Meeting on July 23, 2015.

• Also in 2015, the Bank acquired shares in Cartera Dinámica, S.I.CA.V., S.A. and Eurocartera 600, S.I.C.A.V., S.A. in the amounts of €501 thousand and €797 thousand, respectively.

• The dissolution of Agentecam, S.L. Sociedad Unipersonal, a transaction that implied a loss of €5 thousand, was raised to public deed on October 15, 2015.

• Gefonsa, Sociedad de Valores, S.A. (transferee) and Arcogest, S.G.C., S.A. (transferor) executed a merger by absorption on October 15, 2015. The related draft terms of merger had been executed by the boards of these investees on March 26, 2015 and subsequently approved at their respective general meetings on April 23, 2015. The merger was authorized by the Spanish securities market regulator, the CNMV, by means of a resolution issued on September 25, 2015.

Since the merger entailed two companies wholly owned by Corporacion Banco Caminos, S.L.U., article 49 of Spanish Law 3/2009, of April 3, 2009, on structural changes to corporate enterprises, applied. As a result, and given that it qualified as a 'special merger', the transaction did not give rise to an increase in the equity of the transferee, whose equity does not change at all as a result of the merger.

Once the merger closed, the transferor was extinguished by means of dissolution without going into liquidation and all of its assets and liabilities were transferred en bloc to the transferor which acquired, by universal succession, all of the rights and obligations deriving from the transferor's assets and liabilities. This merger has not had any effect whatsoever on the consolidated financial statements.

The most significant transactions in 2014:

• As detailed in Note 1.2, a purchase agreement was entered into on March 24, 2014 covering the sale by Bankia, S.A. (the seller) of 70.2% of the shares comprising the share capital of Bancofar, S.A. to Banco Caminos, S.A. (the buyer) for €36.8 million. The purchase agreement additionally entitled the rest of Bancofar, S.A.'s minority shareholders to join the agreement and sell their shares to Banco Caminos, S.A.

The transaction's close was subject to delivery of the closing conditions itemized in the purchase agreement and the performance by Bancofar, S.A. of certain actions prior to the close. The share purchase agreement was raised to public deed on July 1, 2014.

In the end, the Entity acquired 78.92% of the share capital of Bancofar, S.A. from Bankia, S.A. and other minority shareholders for a total price of €41,836 thousand.

• The Bank participated in the rights issue approved at the Assembly of Corporación Banco Caminos, S.L.U. on February 27, 2014, subscribing for and paying in a sum of €4,800 thousand.

• In 2014, the Bank acquired shares in Cartera Dinámica, S.I.CA.V., S.A. for €1,002 thousand and shares in Eurocartera 600, S.I.C.A.V., S.A. for €994 thousand.

• On March 24, 2014, Corporación Banco Caminos, S.L.U. entered into an agreement for the acquisition of 75.528% of Arcogest Sociedad Gestora de Carteras, S.A. This purchase agreement also entitled the rest of this entity's minority shareholders to join the agreement and sell the buyer their shares. The transaction's close was subject to delivery of the closing conditions itemized in the purchase agreement and the performance by Arcogest of certain actions prior to the close. The share purchase agreement was raised to public deed on July 8, 2014. In the end, Corporación Banco Caminos, S.L.U. acquired 100% of the share capital of Arcogest at a cost of €688 thousand.



As described in Note 1.2, at both year-ends all of the Group's subsidiaries were fully consolidated, while its associates were accounted for using the equity method. The Group had no investments in jointly controlled entities at either reporting date.

The breakdown of the investments included under “Investments - Associates” in the accompanying consolidated balance sheet:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Sync 2000, S.I.C.A.V., S.A. | 748 | 743 |
| Total | 748 | 743 |

# 16.PROPERTY AND EQUIPMENT

The breakdown of this consolidated balance sheet heading as of December 31, 2015 and 2014 is as follows:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| For own use | 44,533 | 42,090 |
| Investment properties | 7,404 | 9,384 |
| Total | 51,937 | 51,474 |

The movements in these consolidated balance sheet headings in 2015 and 2014 are detailed as follows:

Thousands of euros

| For own use | Computer equipment | Furniture, fixtures and other | Buildings | Work in progress | Investment property | Total |
|---|---|---|---|---|---|---|
| **Cost value** | | | | | | |
| Balance at 2013/12/31 | 1,657 | 4,517 | 38,244 | 1,206 | 12,169 | 57,793 |
| Additions | 2,276 | 2,938 | 5,490 | - | 626 | 11,330 |
| Retirements | - | - | - | (562) | (651) | (1,213) |
| Balance at 2014/12/31 | 3,933 | 7,455 | 43,734 | 644 | 12,144 | 67,910 |
| Additions (*) | 213 | 324 | 2,858 | 858 | 1,206 | 5,459 |
| Retirements | (1,736) | (2,430) | (845) | (48) | - | (5,059) |
| Balance at 2015/12/31 | 2,410 | 5,349 | 45,747 | 1,454 | 13,350 | 68,310 |
| **Accumulated depreciation** | | | | | | |
| Balance at 2013/12/31 | (1,346) | (2,650) | (2,892) | - | (1,501) | (8,389) |
| Increases (*) | (2,077) | (3,099) | (1,015) | - | (442) | (6,633) |
| Decreases | - | - | - | - | 738 | 738 |
| Balance at 2014/12/31 | (3,423) | (5,749) | (3,907) | - | (1,205) | (14,284) |
| Increases | (118) | (362) | (264) | - | (407) | (1,151) |
| Decreases | 1,736 | 2,430 | 845 | - | 115 | 5,126 |
| Balance at 2015/12/31 | (1,805) | (3,681) | (3,326) | - | (1,497) | (10,309) |

Follow



Thousands of euros

| For own use | Computer equipment | Furniture, fixtures and other | Buildings | Work in progress | Investment property | Total |
|---|---|---|---|---|---|---|
| **Impairment** | | | | | | |
| Balance at 2013/12/31 | - | - | (596) | - | (1,193) | (1,789) |
| Additions (*) | - | - | - | - | (453) | (453) |
| Disposals | - | - | - | - | 91 | 91 |
| Transfers | - | - | (1) | - | - | (1) |
| Balance at 2014/12/31 | - | - | (597) | - | (1,555) | (2,152) |
| Additions | - | - | (200) | - | - | (200) |
| Disposals | - | - | - | - | - | - |
| Transfers | - | - | (818) | - | (2,894) | (3,712) |
| Balance at 2015/12/31 | - | - | (1,615) | - | (4,449) | (6,064) |
| Net value at 2014/12/31 | 510 | 1,706 | 39,230 | 644 | 9,384 | 51,474 |
| Net value at 2015/12/31 | 605 | 1,668 | 40,806 | 1,454 | 7,404 | 51,937 |

(*) Includes additions arising from the business combination detailed in Note 1.2

As of December 31, 2015 and 2014 the Group had no commitments to purchase or sell property and equipment for significant amounts.

The Group has no property and equipment for significant amounts with restrictions regarding use or ownership, no longer used or pledged in guarantee of repayment of debts.

As of December 31, 2015 and 2014 the Group had no fully-depreciated property and equipment in use.

“Investment properties” relates primarily to real estate owned by the Group that has been rented to third parties under operating leases or is available for sale.

In 2015, the Group received income from investment properties and operating leases totaling €480 thousand (2014: €409 thousand).

# 17.INTANGIBLE ASSETS

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

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| Goodwill | | |
| - FAM Caminos, S.A. | 4,337 | 4,337 |
| - Arcogest, S.G.C., S.A. | 412 | 412 |
| Other intangible assets | | |
| - Customer portfolios | 4,908 | 5,234 |
| - Other intangible assets | 1,251 | 1,322 |
| Total | 10,908 | 11,305 |

The goodwill associated with FAM Caminos, S.A. derives from the acquisition in 2011 of an 80% shareholding in this entity. As indicated in Note 3.11.1, this goodwill has been tested for impairment, specifically by valuing this investee using discounted cash flow methodology. The main assumptions underpinning the cash flow projections were as follows:

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| Projection period | 2016-2020 | 2015-2019 |
| Growth in insurance premiums managed (annually) | 1.20% | 1.10% |
| Growth in income from the provision of services to insurance providers | 1.20% | 1.10% |
| Discount rate | 9.49% | 10.44% |

The goodwill associated with Arcogest, S.G.C., S.A. (an entity which merged into Gefonsa, S.V., S.A. in 2015; see note 15) derives from the investment acquired in 2014.

The intangible assets related to customer portfolios correspond to the acquisition in 2012 by Group company Gespensión Caminos, E.G.F.P., S.A.U. from Mutualidad FAM of a customer portfolio comprising the account, unitholder and beneficiary units of the latter's three pension funds. This transaction entailed the substitution of Gespensión Caminos, E.G.F.P., S.A.U. as pension fund manager, for which the latter delivered consideration of €6,100 thousand.



Based on the estimates and projections used by the Bank's directors, the forecast attributable income supports the recognized carrying amounts of goodwill and customer portfolios.

The rest of the balance included under "Other intangible assets" in the accompanying consolidated balance sheet essentially corresponds to investments in software and other intangible assets.

The movements in this consolidated balance sheet heading in 2015 and 2014 are detailed as follows:

| Thousands of euros | Goodwill | Other intangible assets | |
|---|---|---|---|
| | | Customer portfolio | Other |
| **Cost value** | | | |
| Balance at 2013/12/31 | 4,337 | 6,100 | 3,277 |
| Additions (*) | 412 | - | 330 |
| Retirements | - | - | - |
| Transfers | - | - | - |
| Balance at 2014/12/31 | 4,749 | 6,100 | 3,607 |
| Additions | - | - | 262 |
| Retirements | - | - | (21) |
| Transfers | - | - | - |
| Balance at 2015/12/31 | 4,749 | 6,100 | 3,848 |
| **Accumulated amortization** | | | |
| Balance at 2013/12/31 | - | (541) | (1,958) |
| Increases | - | (325) | (327) |
| Decreases | - | - | - |
| Transfers | - | - | - |
| Balance at 2014/12/31 | - | (866) | (2,285) |
| Increases | - | (326) | (312) |
| Decreases | - | - | - |
| Transfers | - | - | - |
| Balance at 2015/12/31 | - | (1,192) | (2,597) |
| Net Value at 2014/12/31 | 4,749 | 5,234 | 1,322 |
| Net Value at 2015/12/31 | 4,749 | 4,908 | 1,251 |

(*) Includes additions arising from the business combination described in Note 1.2

The Group has no intangible assets with restrictions regarding use or ownership or with indefinite useful lives. No impairment losses were recognized for these assets in 2015 and 2014.

# 18.FINANCIAL LIABILITIES AT AMORTIZED COST

The breakdown of this heading under "liabilities" on the consolidated balance sheet is the following:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Deposits from central banks | 359,241 | 344,958 |
| Deposits from credit institutions | 173,324 | 34,521 |
| Deposits from other creditors | 2,056,870 | 1,980,372 |
| Other financial liabilities | 26,541 | 29,935 |
| Total | 2,615,976 | 2,389,786 |

## 18.1.DEPOSITS AT CENTRAL BANKS.

The breakdown of this heading under "liabilities" on the consolidated balance sheet, by type of instrument, is as follows:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Bank of Spain | 359,000 | 342,000 |
| Valuation adjustments | | |
| Accrued interest | 241 | 2,958 |
| Total | 359,241 | 344,958 |



In 2015, the average annual interest rate on "Deposits at central banks" was 0.07% (2014: 0.10%).

The breakdown of this heading by residual maturity is provided in Note 7.3 on liquidity risk.

## 18.2.DEPOSITS AT CREDIT INSTITUTIONS.

The breakdown of this heading under "liabilities" on the consolidated balance sheet, by type of instrument, is as follows:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Time deposits | 56,544 | 17,295 |
| Repurchase agreements | 94,484 | - |
| Other accounts | 22,243 | 17,085 |
| Valuation adjustments | | |
| Accrued interest | 53 | 141 |
| Total | 173,324 | 34,521 |

In 2015, the average annual interest rate on "Deposits at credit institutions" was 0.35% (2014: 0.28%)

The breakdown of this heading by residual maturity is provided in Note 7.3 on liquidity risk.

## 18.3.DEPOSITS FROM OTHER CREDITORS.

At December 31, 2015 and 2014, the breakdown of this consolidated balance sheet heading by counterparty and type of financial liability, is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Spanish general government | 5,507 | 4,726 |
| Other resident sector | | |
| Demand deposits | 690,814 | 664,338 |
| Current accounts | 45,287 | 39,979 |
| Saving accounts | 3,408 | - |
| Time deposits | | |
| Fixed-term deposits | 1,135,397 | 1,134,162 |
| Home purchase savings accounts | 1,249 | 1,632 |
| Financial liabilities issued | 3,595 | 5,004 |
| Repurchase agreements | 167,213 | 125,028 |
| Valuation adjustments | 4,400 | 5,503 |
| Total | 2,056,870 | 1,980,372 |
| **Currency** | | |
| Euros | 2,048,122 | 1,970,293 |
| Other currencies | 8,748 | 10,079 |
| Total | 2,056,870 | 1,980,372 |
| **Interest rate** | | |
| Fixed interest rate | 1,667,136 | 1,621,303 |
| Variable interest rate | 389,734 | 359,068 |
| Total | 2,056,870 | 1,980,372 |

In 2015 and 2014 "Fixed-term deposits" includes mortgage bonds for a nominal amount of €50,000 thousand in both years, as per the following table:

| | | | Thousands of euros | |
|---|---|---|---|---|
| Issue | | | Carrying amount | |
| date | Maturity date | Interest rate | 2015 | 2014 |
| 2007/07/20 | 2022/07/20 | 5.1353% | 53,147 | 53,644 |

The breakdown of the valuation adjustments made to transactions classified under "Deposits from other creditors" from other resident sectors is the following:



| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Valuation adjustments | | |
| Accrued interest | 4,400 | 5,503 |
| Fair value liabilities | - | - |
| Total | 4,400 | 5,503 |

In 2015, the average annual interest rate on "Deposits from other creditors" was 0.83% (2014: 1.25%).

The breakdown of this heading by residual maturity is set forth in Note 7.3.

## 18.4.OTHER FINANCIAL LIABILITIES.

All the financial liabilities recognized under the accompanying consolidated balance sheet heading are classified as "Financial liabilities at amortized cost" and therefore, are measured at amortized cost. This heading also includes the amount corresponding to accounts payable classified as financial liabilities not included under other headings.

The breakdown of "Other financial liabilities," by type of financial instrument, is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Obligations payable | 1,998 | 9,801 |
| Tax collection accounts | 4,738 | 4,627 |
| Special accounts | 7,480 | 7,035 |
| Other items | 12,325 | 8,472 |
| Total | 26,541 | 29,935 |

"Other items" includes items such as €703 and €255 thousand in balances pending repayment to Fondo TDA Mixto 20, F.T.A., as of December 31, 2015 and 2014, respectively, for the amortization of loans ceded to the fund.

# 18.5.INFORMATION REQUIRED BY LAW 2/1981 OF MARCH 25, WHICH REGULATES THE MORTGAGE MARKET, AND ROYAL DECREE 716/2009 OF APRIL 24 WHICH ENACTS SAID LAW.

Banco Caminos, S.A. is the only Group company that issues mortgage-backed covered bonds.

As the Parent Entity directly issues mortgage-backed securities, it must disclose in its financial statements the information on the Special Accounting Register established in Article 6 of Royal Decree 716/2009, of April 24; which enacts certain aspects of Law 2/1981 of March 25, related to regulation of the mortgage market and other rules in the mortgage and financial system, as well as those included in Bank of Spain Circular 7/2010 which modifies, inter alia, the information entities must include in financial statements relating to the Special Accounting Register referred to in Article 21 of the abovementioned Royal Decree 716/2009, as well as the specific information provided by the Board of Directors to be included in the Notes to the financial statements in this regard.

The Board of Directors expressed that the Parent Entity has specific policies and procedures which encompass all of its activities relating to mortgage market bond issues, guaranteeing strict compliance with applicable mortgage market regulations. The risk policies applicable to real estate market transactions establish maximum financing limits on the loan to value (LTV) appraisal; there are also additional specific policies adapted to each mortgage product, which occasionally apply more stringent limits. The general policies establish the amount of the loan and the income or repayment capacity of the borrower with which all transactions must comply. As far as verifying the client's data and solvency, the Parent Entity has the wherewithal to contrast documentation and carry out internal audits using procedures and tools which ensure the reliability of its corroborations. The Entity's procedures assume that each mortgage in the real estate market must include an individual appraisal carried out by an independent firm.

The following individual information for 2015 and 2014 is relative to and included in the Special Accounting Register referred to in Article 21 of Royal Decree 716/2009, dated April 24.



## 18.5.1.Asset transactions.

At December 31, 2015 and 2014, the nominal amounts of total mortgage loans and secured credit lines, as well as information pertaining to their eligibility and computability with respect to the mortgage market, are as follows:

Thousands of euros

| | Nominal Value | |
|---|---|---|
| | 2015 | 2014 |
| **1. 1. Total loans (a)** | **432,803** | **458,445** |
| **2. Collateralized mortgage bonds issued** | **7,396** | **9,318** |
| Of which: Loans maintained on the balance sheet | 7,396 | 9,318 |
| **3. Mortgage transfer certificates issued** | **4,733** | **5,873** |
| Of which: Loans maintained on the balance sheet | 4,733 | 5,873 |
| **4. Mortgage loans serving as collateral for received financing** | **-** | **-** |
| **5. Loans backing mortgage bonds and covered mortgage bonds (1 - 2 - 3 - 4)** | **420,673** | **443,254** |
| 5.1 Ineligible loans (b) | 132,449 | 147,305 |
| 5.1.1Loans meeting eligibility requirements except for the limits described in article 5.1 Royal Decree 716/2009 | 54,755 | 62,331 |
| 5.1.2Other | 77,694 | 84,974 |
| 5.2 Eligible loans (c) | 288,224 | 295,949 |
| 5.2.1 Non-eligible amounts (d) | - | - |
| 5.2.2 Eligible amounts | 288,224 | 295,949 |
| 5.2.2.1 Loans covering mortgage bond issues | - | - |
| 5.2.2.2 Loans eligible for covering mortgage bond issues | 288,224 | 295,949 |

(a) Drawn balance pending collection of loans and credit facilities guaranteed by mortgages registered in the Bank's favor (including those acquired through collateralized mortgage bonds and mortgage transfer certificates), even if they have been derecognized, irrespective of the percentage the loans represent with respect to the latest appraised value (loan to value).

(b) Loans secured by mortgage guarantee which have not been transferred to third parties and do not secure received financing that does not meet the requirements established by article 3 of Royal Decree 716/2009 to be eligible for collateralized mortgage bonds and covered bond issues.

(c) Loans eligible for mortgage bond and covered bond issues as per article 3 of Royal Decree 716/2009, without applying the computation limits established by article 12 of Royal Decree 716/2009.

(d) Amount of eligible loans which, based on the criteria established by article 12 of Royal Decree 716/2009, are not computable for covering mortgage bonds or covered bond issues.

The following table reflects the nominal value of mortgage loans and secured credit lines at December 31, 2015 and 2014:

Thousands of euros

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Loans backing mortgage bonds and covered bonds (a) | Of which: Eligible loans (b) | Loans backing mortgage bonds and covered bonds (a) | Of which: Eligible loans (b) |
| TOTAL | 420,673 | 288,224 | 443,254 | 295,949 |
| **1 SOURCE OF TRANSACTIONS** | **420,673** | **288,224** | **443,254** | **295,949** |
| 1.1 Transacted by the Bank | 415,896 | 284,931 | 436,657 | 292,267 |
| 1.2 Assumed from other entities | 4,777 | 3,293 | 6,597 | 3,682 |
| 1.3 (Remaining balance) | - | - | - | - |
| **2. CURRENCY** | **420,673** | **288,224** | **443,254** | **295,949** |
| 2.1 Euro | 420,673 | 288,224 | 443,254 | 295,949 |
| 2.2 Other currencies | - | - | - | - |
| **3 PAYMENT STATUS** | **420,673** | **288,224** | **443,254** | **295,949** |
| 3.1 Normal payment record | 390,538 | 288,224 | 409,440 | 295,949 |
| 3.2 Other circumstances | 30,135 | - | 33,814 | - |
| **4 AVERAGE RESIDUAL MATURITY** | **420,673** | **288,224** | **443,254** | **295,949** |
| 4.1 Up to ten years | 44,778 | 25,390 | 43,533 | 24,637 |
| 4.2 Ten to twenty years | 167,831 | 116,936 | 167,613 | 109,979 |
| 4.3 Ten to thirty years | 187,035 | 131,312 | 204,348 | 144,095 |
| 4.4 More than thirty years | 21,029 | 14,586 | 27,760 | 17,238 |
| **5 INTEREST RATES** | **420,673** | **288,224** | **443,254** | **295,949** |
| 5.1 Fixed rates | 1,676 | 26 | 1,740 | 28 |
| 5.2 Variable rates | 418,997 | 288,198 | 441,514 | 295,921 |
| 5.3 Mixed interest rate | - | - | - | - |

Follow



Thousands of euros

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Loans backing mortgage bonds and covered bonds (a) | Of which: Eligible loans (b) | Loans backing mortgage bonds and covered bonds (a) | Of which: Eligible loans (b) |
| **6 BORROWERS** | **420,673** | **288,224** | **443,254** | **295,949** |
| 6.1 Corporate and natural persons (entrepreneurs) | 87,186 | 37,746 | 99,623 | 45,653 |
| Of which: Real estate promoters | 2,698 | - | 8,273 | - |
| 6.2 Other natural persons and NPISHs | 333,487 | 250,478 | 343,631 | 250,296 |
| **7 TYPE OF GUARANTEE** | **420,673** | **288,224** | **443,254** | **295,949** |
| 7.1. Assets/Finished buildings | 416,695 | 287,688 | 438,913 | 295,949 |
| 7.1.1 Residential mortgages | 367,312 | 266,343 | 384,688 | 268,600 |
| Of which: State-subsidized housing | 2,376 | 2,248 | 2,367 | 2,234 |
| 7.1.2 Commercial loans | 29,326 | 12,644 | 30,916 | 13,313 |
| 7.1.3 Other | 20,058 | 8,701 | 23,309 | 14,307 |
| 7.2 Assets/Buildings under constructions | - | - | - | - |
| 7.2.1 Residential mortgages | - | - | - | - |
| Of which: State-subsidized housing | - | - | - | - |
| 7.2.2 Commercial loans | - | - | - | - |
| 7.2.3 Other | - | - | - | - |
| 7.3 Land | 3,978 | 536 | 4,341 | - |
| 7.3.1 Developed land | 2,722 | - | 3,638 | - |
| 7.3.2 Other | 1,256 | 536 | 703 | - |

(a) Drawn balance pending collection of loans guaranteed by mortgages irrespective of the percentage the loans represent with respect to the latest appraised value loan to value).

(b) Loans eligible for mortgage bond and covered bond issues as per article 3 of Royal Decree 716/2009, without applying the computation limits established by article 12 of Royal Decree 716/2009.

The following table provides a breakdown of the nominal values of mortgage loans and secured credit lines for bond and covered bond issues at December 31, 2015 and 2014 based on the percentage of risk in terms of the latest available appraised value for mortgage market purposes.

| 2015 - Loan to value (a) - Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|
| Type of guarantee | LTV ≤ 40% | 40% < LTV ≤ 60% | LTV ≤ 60% | 60% < LTV ≤ 80% | LTV ≤ 80% | Total |
| Eligible loans (b) | 85,114 | 103,253 | 649 | 99,208 | - | 288,224 |
| - Relating to residences | 76,226 | 90,909 | | 99,208 | - | 266,343 |
| - Relating to other assets | 8,888 | 12,344 | 649 | | | 21,881 |

| 2014 - Loan to value (a) - Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|
| Type of guarantee | LTV ≤ 40% | 40% < LTV ≤ 60% | LTV ≤ 60% | 60% < LTV ≤ 80% | LTV ≤ 80% | Total |
| Eligible loans (b) | 88,384 | 101,796 | 292 | 105,477 | - | 295,949 |
| - Relating to residences | 77,888 | 85,235 | | 105,477 | - | 268,600 |
| - Relating to other assets | 10,496 | 16,561 | 292 | | | 27,349 |

(a) The loan-to-value ratio (LTV ratio) is the result of dividing the current mortgage loan at the reporting date by the latest available appraised value.

(b) Loans eligible for mortgage bond and covered bond issues without applying the computation limits established by article 12 of Royal Decree 716/2009.

Loans eligible for mortgage bond and covered bond issues at December 31, 2015 and 2014, the breakdown of the nominal amounts of undrawn balances of mortgage loans and secured credit lines backing mortgage bond and covered bond issues is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Nominal value (a) of mortgage loans and secured credit lines | 4,556 | 4,474 |
| - Potentially eligible loans (b) | 98 | 38 |
| - Ineligible loans | 4,458 | 4,435 |

(a) Committed amounts (limit) less the drawn amounts of all loans secured by mortgages, irrespective of the percentage of total risk to loan to value not transferred to third parties or securing received financing. The available balance includes amounts paid only to the real estate promoter if the residences are delivered.

(b) Potentially eligible loans for mortgage bond and covered bond issues under Royal Decree 716/2009.

The movement in the nominal value of credit lines and mortgage loans securing mortgage and covered bond issues in 2015 and 2014 was as follows:





| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Eligible loans (a) | Ineligible loans (b) | Eligible loans (a) | Ineligible loans (b) |
| Balance at January 1 | 295,949 | 147,305 | 300,197 | 163,335 |
| Derecognized during the period | (40,177) | (33,387) | (37,833) | (35,992) |
| Canceled on maturity | (184) | (467) | (243) | (943) |
| Canceled before maturity | (12,310) | (13,191) | (10,273) | (12,870) |
| Assumed by other entities | - | - | - | - |
| Other | (27,683) | (19,729) | (27,317) | (22,179) |
| Recognized during the period | 32,452 | 18,531 | 33,585 | 19,962 |
| Transacted by the Bank | 21,328 | 9,324 | 18,246 | 10,141 |
| Assumed from other entities | - | - | - | - |
| Other | 11,124 | 9,207 | 15,339 | 9,821 |
| Balance at December 31 | 288,224 | 132,449 | 295,949 | 147,305 |

(a) Loans eligible for mortgage bond and covered bond issues as per article 3 of Royal Decree 716/2009, without applying the computation limits established by article 12 of Royal Decree 716/2009.cve: BOE-A-2011-19302

(b) Loans secured by mortgage guarantee that have not been transferred to third parties and do not secure received financing which does not meet the requirements established by article 3 of Royal Decree 716/2009 to be eligible for mortgage bonds and covered bond issues.

In 2015 and 2014, the Entity had no substitute assets linked to mortgage-backed covered bonds, mortgage bonds, or mortgage shares.

## 18.5.2 Liability transactions.

The following is a breakdown of the aggregate nominal value of the outstanding mortgage-backed securities at December 31, 2015 and 2014 by residual maturities:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| | Nominal value | Updated value (c) | Average residual maturity (d) | Nominal value | Updated value (c) | Average residual maturity (d) |
| **1. Mortgage bonds issued** | - | - | | - | - | |
| **2. Covered bonds issued (a)** | **53,147** | | | **53,644** | | |
| Of which: Not recognized in liabilities | - | | | - | | |
| 2.1. Debt securities Issued by public offering | - | | | - | | |
| 2.1.1 Residual maturity of less than one year | - | | | - | | |
| 2.1.2 Residual maturity of more than one year and less than two | - | | | - | | |
| 2.1.3 Residual maturity of more than two years and less than three | - | | | - | | |
| 2.1.4 Residual maturity of more than three years and less than five | - | | | - | | |
| 2.1.5 Residual maturity of more than five years and less than ten | - | | | - | | |
| 2.1.6 Residual maturity of more than ten years | - | | | - | | |
| 2.2. Debt securities Other issues | - | | | - | | |
| 2.2.1 Residual maturity of less than one year | - | | | - | | |
| 2.2.2 Residual maturity of more than one year and less than two | - | | | - | | |
| 2.2.3 Residual maturity of more than two years and less than three | - | | | - | | |
| 2.2.4 Residual maturity of more than three years and less than five | - | | | - | | |
| 2.2.5 Residual maturity of more than five years and less than ten | - | | | - | | |
| 2.2.6 Residual maturity of more than ten years | - | | | - | | |
| 2.3 Deposits | 53,147 | | | 53,644 | | |
| 2.3.1 Residual maturity of less than one year | - | | | - | | |
| 2.3.2 Residual maturity of more than one year and less than two | - | | | - | | |
| 2.3.3 Residual maturity of more than two years and less than three | - | | | - | | |
| 2.3.4 Residual maturity of more than three years and less than five | - | | | - | | |
| 2.3.5 Residual maturity of more than five years and less than ten | 53,147 | | | 53,644 | | |
| 2.3.6 Residual maturity of more than ten years | - | | | - | | |
| **3. Collateralized mortgage-bonds issued (b)** | **7,396** | | **114** | **9,318** | | **118** |
| 3.1. Issued by public offering | - | | - | - | | - |
| 3.2 Other issues | 7,396 | | 114 | 9,318 | | 118 |
| **4. Mortgage transfer certificates issued (b)** | **4,733** | | **153** | **5,873** | | **162** |
| 4.1. Issued by public offering | - | | - | - | | - |
| 4.2 Other issues | 4,733 | | 153 | 5,873 | | 162 |



(a) Covered bonds include all those issued by the Bank and pending maturity, irrespective of whether they are recognized in liabilities (since they have not been placed with third parties or repurchased).

(b) Amount of collateralized mortgage bonds and issued mortgage transfer certificates relating exclusively to mortgage loans and secured credit lines recognized in assets (maintained on the balance sheet).

(c) Updated value calculated as required by article 23 of Royal Decree 716/2009cve: BOE-A-2011-19302

(d) Weighted average residual maturity by amounts, expressed in months rounded up.

# 19.PROVISIONS

The breakdown of this consolidated balance sheet heading as of December 31, 2015 and 2014 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Provision for pensions and similar obligations (Note 3.14.2) | 178 | 199 |
| Provision for taxes and legal contingencies | 389 | 362 |
| Provisions for contingent exposures and commitments | 1,532 | 1,165 |
| Other provisions | 6,665 | 290 |
| Total | 8,764 | 2,016 |

The movement in these headings in 2015 and 2014 was the following:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Provision for pensions and similar obligations | Provision for taxes and legal contingencies | Provision for contingent risks | Other provisions | Total |
| Balance at December 31, 2013 | - | - | 407 | 578 | 985 |
| Arising from business combination | 171 | - | 58 | - | 229 |
| Recognized during the year | 28 | 362 | 771 | 15 | 1,176 |
| Unused amounts reversed | - | - | (71) | (127) | (198) |
| Other movements | - | - | - | (176) | (176) |
| Balance at December 31, 2014 | 199 | 362 | 1,165 | 290 | 2,016 |
| Recognized during the year | 31 | 416 | 614 | 6,559 | 7,614 |
| Unused amounts reversed | - | - | (247) | - | (241) |
| Other movements | (52) | (389) | - | (184) | (625) |
| Balance at December 31, 2015 | 178 | 389 | 1,532 | 6,665 | 8,764 |

“Other provisions” in the table above includes provisions recognized to cover probable or certain expenses, losses or liabilities as a result of ongoing lawsuits arising in the ordinary course of the Group's business activities; they are recognized at the estimated amounts that will be have to be discharged to cancel such liabilities.





# 20.OTHER ASSETS AND OTHER LIABILITIES

The breakdown of "Other assets” and “Other liabilities" as per the accompanying consolidated balance sheet as of December 31, 2015 and 2014 is the following:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| **Assets:** | | |
| Accruals of unmatured loans | 532 | 1,266 |
| Unaccrued finance costs | 164 | 181 |
| Other items | 917 | 2 |
| Total | 1,613 | 1,449 |
| **Liabilities:** | | |
| Accrued expenses | 48 | 139 |
| Other accruals | 6,666 | 7,478 |
| Other Liabilities | 46 | 32 |
| Total | 6,760 | 7,649 |

# 21.EQUITY

## 21.1.CAPITAL.

This heading mainly shows the shares in which the parent's equity is divided amongst its shareholders.

At December 31, 2015 the Group had treasury shares totaling €1,842 thousand (2014: €1,622 thousand).

On June 26, 2009, the Parent Entity's Board of Directors agreed to freely distribute the Parent Entity's available reserves amounting to €32 thousand, with a 9 cent cost value increase per share, to be settled in the corresponding currency, and therefore, the Parent Entity's share capital is established at €21,163,490.06.

Additionally, on February 12, 2010, the decision was ratified by public deed to split capital in the proportion of 10 new shares for each old one, through the decrease of the nominal amount of all the shares from €60.20 to €6.02, raising the total number of shares comprising the Parent Entity's share capital from 351,553 to 3,515,530; all are fully subscribed and paid in.

In their meeting held on June 22, 2011, the Parent Entity's shareholders resolved to request €7,241 thousand of the obligatory reserve fund from “Almagro, Sociedad Cooperativa de Consumidores y Usuarios” (Note 21.2). This amount had been transferred to the cooperative as a legal requirement when Caja Camino was transformed into a bank. A balance of €9 thousand was left on deposit in said entity (Notes 1 and 21.2). In addition, the shareholders agreed that once the aforementioned amount had been returned, the Bank would pay Corporation Tax (€913 thousand) and would use the remaining €6,328 thousand to increase share capital, raising the nominal value of existing shares by €1.80 per share.

In their meeting held on November 29, 2011, the Entity's Board of Directors resolved to establish December 14, 2011 as the date on which the amount referred to above would be transferred back to it. The capital increase would be ratified by public deed on December 14, 2011.

At December 31, 2015 and 2014, following the capital increase referred to above, the Bank's share capital stood at €27,491 thousand, consisting of 3,515,530 registered shares with a nominal value of €7.82 per share, all of which are of the same type and series, fully subscribed and paid in.





## 21.2.RESERVES AND SHARE PREMIUM.

The movements in “Own funds – Share premium” and “Own funds – Reserves” in 2015 and 2014 are shown in the consolidated statement of all changes in equity for 2015 and 2014, which is an integral part of the consolidated statement of changes in equity.

The breakdown of “Reserves” as of December 31, 2015 and 2014 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Legal reserves (mandatory reserve) | 4,189 | 3,619 |
| Voluntary reserves of the Parent | 52,114 | 46,895 |
| Reserves at associates | 48,565 | 14,294 |
| Reserves of entities accounted for using the equity method | 86 | 49 |
| Share Premium | 29,033 | 29,028 |
| Total | 133,987 | 93,885 |

The balance of the share premium account originated from the voluntary contributions approved by the General Assembly of Caja Caminos on June 28, 2002 and the capital increase approved by the General Assembly on June 29, 2007 (Note 1). The balance of the share premium account can be freely distributed. At year end, the share premium is called and thus recognized.

In addition, in 2008 the obligatory reserve fund of €7,250 thousand was transferred to “Almagro Sociedad Cooperativa de Consumidores y Usuarios” as approved by the Extraordinary Assembly held on June 29, 2007 (Note 1). Of this amount, €6,328 thousand was returned in 2011 to increase capital as described in Note 21.1, and €913 thousand will be returned in 2012 to pay Corporation tax.

**Voluntary reserves and reserves (losses) in consolidated entities**

The breakdown of this balance sheet heading by entity, after considering consolidation adjustments, is the following:

| | Thousands of euros | |
|---|---|---|
| Entity | 2015 | 2014 |
| Banco Caminos, S.A. | 85,333 | 79,542 |
| Agentecam, S.L.U. | - | (2) |
| Bancofar, S.A. | 31,630 | - |
| Calldurbon, S.L.U. | 109 | 109 |
| Cartera Dinámica, S.I.C.A.V., S.A. | 64 | (35) |
| Corporación Banco Caminos, S.L.U. | 2,091 | 1,506 |
| Eurocartera 600, S.I.C.A.V., S.A. | 1,365 | 885 |
| FAM Caminos, S.A. | 1,239 | 1,080 |
| Gabinete de Estudios y Gestión Jurídica, S.A. | 4,741 | 4,514 |
| Gefonsa, S.V., S.A.U. | 4,117 | 3,614 |
| Gespensión Caminos, E.G.F.P., S.A.U. | 842 | 511 |
| Gestifonsa, S.G.I.I.C., S.A.U. | 1,539 | 1,068 |
| Maxlan, S.A.U. | 357 | 599 |
| Servifonsa, A.I.E. | 3 | 2 |
| Sistemcam, S.A.U. | 471 | 443 |
| Sync 2000, S.I.C.A.V., S.A. | 86 | 49 |
| Total | 133,987 | 93,885 |



# 21.3.CONSOLIDATED PROFIT (LOSS) FOR THE YEAR.

The contribution to consolidated profit (loss) as of December 31, 2015 and 2014, by entity, taking into account the effect of consolidation adjustments, is as follows:

| | Thousands of euros | |
|---|---|---|
| Entity | 2015 | 2014 |
| Banco Caminos, S.A. | 9,278 | 42,341 |
| Agentecam, S.L.U. | - | (2) |
| Arcogest, S.G.C., S.A. | - | 11 |
| Bancofar, S.A. | 4,247 | 319 |
| Calldurbon, S.L.U. | (28) | (30) |
| Cartera Dinámica, S.I.C.A.V., S.A. | (323) | 118 |
| Corporación Banco Caminos, S.L.U. | (621) | (347) |
| Eurocartera 600, S.I.C.A.V., S.A. | 1,148 | 523 |
| FAM Caminos, S.A. | 627 | 269 |
| Gabinete de Estudios y Gestión Jurídica, S.A. | (880) | (650) |
| Gefonsa, S.V., S.A.U. | 890 | (561) |
| Gespensión Caminos, E.G.F.P., S.A.U. | 1,482 | 901 |
| Gestifonsa S.G.I.I.C., S.A.U. | 1,796 | 1,443 |
| Maxlan, S.A.U. | (1,122) | (635) |
| Servifonsa, A.I.E. | (2,423) | (2,010) |
| Sistemcam, S.A.U. | (2,734) | (2,601) |
| Total | 11,337 | 39,089 |

# 21.4.UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS.

This consolidated balance sheet heading includes the net amount arising from changes in the fair value of assets classified as available for sale, which as explained in Note 3.5, should be classified as part of the Group’s equity. The related gains or losses are taken to the income statement when the associated assets are sold.

The consolidated statement of recognized income and expense for 2015 and 2014, which is an integral part of the Consolidated Statement of Changes in Equity, presents the variations in this heading during those years.

Movement in this heading in 2015 and 2014 is shown below:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Balance at January 1 | 32,402 | 10,917 |
| Changes in the fair value of debt securities | (7,161) | 21,237 |
| Changes in the fair value of equity instruments | (2,268) | 248 |
| Balance at December 31 | 22,973 | 32,402 |

## 21.5.NON-CONTROLLING INTERESTS.

The breakdown of this heading at December 31, 2015 and 2014 is as follows:

Thousands of euros

| Company | 2015 | 2014 |
|---|---|---|
| Bancofar, S.A. | 17,614 | 19,376 |
| Cartera Dinámica, S.I.C.A.V., S.A. | 219 | 238 |
| Eurocartera 600, S.I.C.A.V., S.A. | 929 | 586 |
| FAM Caminos, S.A. | 731 | 719 |
| Total | 19,493 | 20,919 |



# 22.EDUCATION AND PROMOTION FUND

Due to the transformation from the cooperative, Caja Caminos, into a bank, Law 13/1989, of May 26, on Credit Cooperatives, which regulates the Education and Promotion Fund, no longer applies to the Entity.

While the Education and Promotion Fund has disappeared due to the Entity's new legal status, an expense of €210 thousand (2014: €180 thousand) (Note 25.5) was recognized under "Other administrative expenses" which relates to the financial support the Entity continues to offer the Caja Caminos Foundation.

# 23.CONTINGENT EXPOSURES AND COMMITMENTS

## 23.1.CONTINGENT EXPOSURES.

The breakdown of financial guarantees granted by the Group as of December 31, 2015 and 2014 is as follows:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Financial guarantees | 24,516 | 28,432 |
| Other bank guarantees and indemnities | 18,195 | 18,260 |
| Total | 42,711 | 46,692 |

A significant portion of the guarantees indicated above will expire without the need to make any payments materializing and therefore, the total amount pledged may not be considered a real future need for financing or liquidity to be granted to third parties.

Income from guarantees is recognized under “Fee and commission income” in the accompanying income statement and calculated by applying the interest rate on the nominal amount of the guarantee as per the related contract.

As of December 31, 2015 and 2014, the Entity has no assets pledged in guarantee of transactions carried out on its own behalf or by third parties.

## 23.2.CONTINGENT COMMITMENTS.

The breakdown of “Contingent commitments” as of December 31, 2015 and 2014 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Credit commitments | 227,254 | 257,587 |
| Unpaid portion of equity investments | 10,145 | 8,263 |
| Conventional financial asset purchase agreements | 1,294 | 2,529 |
| Other commitments | 25,044 | 28,880 |
| Total | 263,737 | 297,259 |

This heading includes irrevocable financing commitments as per specified conditions and periods previously stipulated, All the Group’s credit commitments require financing be made available immediately on demand.

The breakdown of credit commitments in 2015 and 2014 by counterparty is the following:





| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Balances drawable by third parties | | |
| By general government | - | - |
| By other residents sectors | | |
| Credit cards | 36,501 | 36,230 |
| Amounts immediately drawable | 154,086 | 162,255 |
| Amounts drawable if certain future events occur | 36,401 | 58,756 |
| By non-residents | 266 | 346 |
| Total | 227,254 | 257,587 |

## 23.3.FIDUCIARY ACTIVITIES AND INVESTMENT SERVICES.

The Group’s off-balance sheet customer funds as of December 31, 2015 and 2014 are set out in the following table, specifying those which are managed by the Group,

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Investment companies and mutual funds | 314,086 | 286,390 |
| Pension funds | 289,263 | 286,817 |
| Discretional portfolio management | 300,786 | 268,117 |
| Funds sold and managed by Banco Caminos Group | 904,135 | 841,324 |
| Funds sold by Banco Caminos Group but managed by third parties outside group | 132,579 | 131,462 |
| Total | 1,036,714 | 972,786 |

At December 31, 2015 the Group had 486 portfolio management contracts (2014: 260), with a total value of €300,786 and €268,117 thousand, respectively. The investments were made as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Invested in shares and domestic listed securities | 100,378 | 78,789 |
| Invested in shares and domestic non-listed securities | 1,818 | 1,748 |
| Invested in listed equity securities | 81,266 | 80,045 |
| Invested in foreign listed securities | 112,236 | 99,105 |
| Deposits at financial intermediaries | 5,088 | 8,430 |
| Total | 300,786 | 268,117 |

In 2015 and 2014 commission income from the above activities was as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Management fees | | |
| Investment companies and mutual funds | 3,986 | 3,236 |
| Pension funds | 2,846 | 2,440 |
| Total | 6,832 | 5,676 |

In addition, the Group also renders securities custody and management services to customers. Related commitments assumed by the Parent as of December 31, 2015 and 2014 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Third-party securities | 1,199,716 | 1,289,350 |





# 24.TAX MATTERS

According to current legislation, tax returns may not be considered final until either they have been inspected by tax authorities, or until the corresponding legal inspection period has expired.

The Parent is open to inspection of applicable taxes and years as per prevailing tax legislation. All its group entities are open to inspection of all taxes levied during the past four years.

The Group's Directors consider that no significant contingencies would arise from a review of the years and taxes open to inspection.

Due to the varying interpretations of the tax regulations applicable to the operations of Banco Caminos, certain contingent tax liabilities may exist for the years open to inspection that cannot be objectively quantified. However, the Entity's directors and its tax advisors consider that the possibility that these contingencies will materialize in future reviews by the tax authorities is remote and that, in any event, the related tax liability which could arise would not materially affect the accompanying consolidated financial statements.

As a result of the change in legal status on February 8, 2008 (Note 1), the special tax regime applicable to credit cooperatives ceased to apply to the Parent and it now files taxes under the general income tax regime. Under article 26.2 d) of Legislative Royal Decree 4/2004, of March 5, which approved the revised Spanish Corporation Law, the tax period is considered as terminated when there is a change in an entity's legal status and these results in a change in the applicable tax rate or a special tax regime.

During 2010, the Parent Entity agreed to file its corporate income tax under the consolidated tax regime. This tax group comprises the Parent and the subsidiaries which in keeping with applicable legislation are eligible for inclusion within this regime, in keeping with the established procedure. Group subsidiary Bancofar, S.A. was added to the tax group on January 1, 2015; in the wake of this addition, the tax group comprises 12 companies, including the Parent, Banco Caminos, S.A. (2014: 11 companies).

The balances receivable from and payable to the companies within the tax group are recognized within tax assets and tax liabilities, as warranted. Also, the amounts related to unused deductions are calculated based on those made of the consolidated tax group.

The reconciliation of profit before tax to taxable income for 2015 and 2014, without considering income tax expense on transactions recognized directly through equity, is the following:

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| Profit (loss) before tax | 16,976 | 43,091 |
| Increase (decrease) due to permanent differences | 664 | (29,974) |
| Adjusted book results | 17,640 | 13,117 |
| Increase (decrease) due to temporary differences | 1,593 | 11,033 |
| Taxable income | 19,233 | 24,150 |

| Thousands of euros | 2015 | | 2014 | |
|---|---|---|---|---|
| | Tax accrued | Tax payable | Tax accrued | Tax payable |
| **Tax payable / (receivable) before adjustments** | | | | |
| In respect of adjusted accounting profit | 5,292 | - | 3,935 | |
| In respect of taxable income (tax loss) | - | 5,770 | | 7,245 |
| **Tax credits applied** | **-** | **-** | **(125)** | **(125)** |
| **Tax payable / (receivable) after deductions** | **5,292** | **5,770** | **3,810** | **7,120** |
| Withholdings and payments on account | - | (4,989) | - | (7,176) |
| Other items | (304) | - | (13) | - |
| Tax payable / (receivable) | 4,988 | 781 | 3,797 | (56) |

Other than the tax losses generated by Bancofar, S.A. before being added to the tax group (€35,175 thousand), at December 31, 2015, the tax group did not have any unused tax losses or unused tax credits.

The Entity has availed itself of tax benefits relating to deductions and tax rebates on taxable income in accordance with prevailing tax legislation.





“Tax assets” includes the amounts recoverable for taxes over the next twelve months (“Tax assets – Current”), as well as those considered recoverable in future years, including loss carryforwards or tax credits for deductions and tax rebates pending application ("Tax assets – Deferred”), “Tax liabilities” includes current and deferred tax liabilities, Related tax provisions are recognized under “Provisions” on the accompanying consolidated balance sheet.

The breakdown of “Tax assets” and “Tax liabilities” as of December 31, 2015 and 2014 is the following:

| Thousands of euros | 2015 | | 2014 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Current | 4,992 | 5,770 | 7,659 | 7,120 |
| Deferred | 25,860 | 11,647 | 22,969 | 14,672 |
| Total | 30,852 | 17,417 | 30,628 | 21,792 |

Deferred tax assets correspond primarily to provisions recognized and impairment losses on financial assets that the Entity considered non-deductible, and deferred tax assets from losses on available-for-sale financial assets. This heading also includes tax assets in respect of the unused tax losses of Bancofar, S.A. (which was not part of the tax group at year-end 2014) in the amount of €10,552 thousand.

Deferred tax liabilities correspond primarily to the deferred tax associated with the revaluation of available-for-sale financial assets.

Royal Decree-Law 14/2013, of November 29, 2013, on urgent measures to adapt Spanish law to European Union requirements in terms of bank supervision and solvency, was published in Spain's Official State Journal on November 30, 2013. This piece of legislation had the effect of adding, with effect from January 1, 2014, additional provision twenty-two to the Consolidated Text of the Corporate Income Tax Act enacted by Legislative-Royal Decree 4/2004, of March 5, 2004: “Conversion of deferred tax assets into credits vis-a-vis the tax authorities”.

By virtue of the abovementioned provision, the deferred tax assets corresponding to allowances for the impairment of loans and other assets due to the potential insolvency of debtors unrelated to the taxpayer, so long as the provisions of article 12.2.a of the Corporate Income Tax Act do not apply, and those deriving from application of articles 13.1.b and 14.1.f of this same Act in relation to provisions for or contributions to company pension and, as warranted, early retirement schemes shall convert into a credit enforceable vis-a-vis the tax authorities whenever any of the following circumstances are met:

a) The taxpayer recognizes an accounting loss in the audited financial statements approved by the corresponding governance body. In this case, the amount of deferred tax assets eligible for conversion would be calculated as a specific percentage of total deferred tax assets, this percentage being the ratio of loss for the year over the sum of capital and reserves.

b) The entity officially declares liquidation or insolvency.

The conversion of deferred tax assets into an enforceable credit as described above shall entitle the taxpayer to apply for their collection from the tax authorities or to offset the credits against other tax debts at the state level that the taxpayer may generate from the time of conversion. However, the procedure and schedule for offsetting or monetizing these credits have yet to be regulated.

There is also the possibility of exchanging the above deferred tax assets for government debt securities after the end of the legally provided for term for utilizing tax losses (currently 18 years), calculated from when such assets are recognized.

Law 27/2014, of 27 November on Corporate Income Tax (the CIT law or "LIS") was enacted on 27 November 2014 and came into force on 1 January 2015, repealing the Revised Text of the Income Tax Law (TRLIS) approved by Royal Legislative Decree 4/2004, of 5 March. Article 11.12 of the new LIS includes the text of the repealed Article 19.13 of the TRLIS, with effect from 1 January 2015, although the new LIS introduced, inter alia, certain restrictions and the application of Article 11.12.

Meanwhile, Article 130 of the Corporate Income Tax Law (LIS) included in the new law additional provision twenty-two of the Revised Text of the TRLIS, stating that the aforementioned deferred tax assets may be exchanged for public debt securities after a period of 18 years from the last date of the tax period in which the assets were recognized. For assets recognized before the enactment of the law, the calculation period begins from the date of entry into force.





The new LIS included a change in the corporate income tax rate, setting this rate at 28% for 2015 and 25% from 2016. However, accordingly to section 5 of Article 58 of the LIS, consolidated tax groups that include at least one credit institution will be subject to a 30% tax rate. As Bank is the parent of its tax group, the tax group continued to pay a CIT rate of 30% in 2015 and will maintain this rate in 2016 and beyond.

Meanwhile Article 26 of the LIS does not pose a time limit on the carryforward of unused tax losses existing in the period beginning on or after the law takes effect on 1 January 2015. In addition, transitional provision twenty-three does not include any time limit on availing of deductions to avoid double taxation established in Articles 30, 31 and 32 of the TRLIS that had not been used as of the period beginning on or after the new law becomes effective.

Underpinned by a report compiled by an independent expert, the Group has estimated the taxable profit Bancofar, S.A. is expected to generate during the next 10 years (the period for which the estimates are deemed sufficiently reliable) on the basis of projections. It has also analyzed the periods in which its taxable temporary differences are expected to revert, identifying those expected to revert in years in which the unused tax losses of Bancofar, S.A. can be utilized, concluding that all of the unused tax losses outstanding as of year-end 2015 will have been utilized by around 2021. Based on this analysis, the Group has recognized deferred tax assets for the unused tax losses of Bancofar, S.A. and the deductible temporary differences of the Group in respect of which it considers it probable that it will generate sufficient taxable profit.

Law 48/2015, of 29 October, on the General State Budgets for 2016 was enacted on 30 October 2015. Effective for tax periods beginning on or after 1 January 2016, this law modifies the tax regime to establish the aforementioned conversion, sets new conditions for eligibility for the regime and introduces certain reporting obligations with respect to the deferred tax assets affected by the regulation. It also provides for a transitional regime applicable to deferred tax assets generated before 1 January 2016, whereby unless certain conditions are met, the right to conversion may be retained, although to do so a financial contribution must be paid, which is regulated by the new additional provision 13 of the LIS.

At December 31, 2014, the Group had deferred tax assets of €11,009 thousand (€6,996 thousand corresponding to Banco Caminos, S.A. and €4,013 thousand to Bancofar, S.A.) which it believes will qualify as per the requirements laid down in Royal Decree-Law 14/2013 and the provisions of articles 11.12 and 130 of Law 27/2014, of November 27, 2014, on Corporate Income Tax. As of the date of authorizing the accompanying financial statements for issue, the Group is in the process of evaluating the potential impact of the amendments introduced by virtue of Spanish Law 48/2015, regarding the conversion of deferred tax assets into claims enforceable vis-a-vis the tax authorities. As a result, it is not possible as of the date of authorization to determine the amount of deferred tax assets recognized at December 31, 2015 that will be eligible for conversion into credit claims vis-a-vis the tax authorities.

# 25.INCOME STATEMENT

## 25.1.INTEREST AND SIMILAR INCOME, INTEREST EXPENSE AND SIMILAR CHARGES, GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET) AND IMPAIRMENT LOSSES (NET).

The breakdown of this income statement heading is the following:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| **Interest and similar income** | | |
| Balances with central Banks | 2 | 1 |
| Loans and advances to credit institutions | 60 | 1,837 |
| Loans and advances to other debtors | 42,380 | 27,988 |
| Debt securities | 21,694 | 23,241 |
| Doubtful assets | 371 | 416 |
| Other interest | 71 | 37 |
| Total | 64,578 | 53,520 |
| **Interest expense and similar charges** | | |
| Deposits from credit institutions | (372) | (470) |
| Deposits from central Banks | (292) | (1,876) |
| Deposits from other creditors | (23,101) | (24,050) |
| Adjusted hedge transaction expenses | 157 | 1,853 |
| Other interest | (37) | (75) |
| Total | (23,645) | (24,618) |

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| **Gains or losses on financial assets and liabilities (net)** | | |
| Financial assets and liabilities held for trading | 2,228 | 2,230 |
| Other financial instruments at fair value through profit or loss | 107 | 111 |
| Available-for-sale financial assets | 8,712 | 17,851 |
| Others | (105) | (50) |
| Total | 10,942 | 20,142 |
| **Impairment losses (net)** | | |
| Loans and receivables | (5,066) | (13,826) |
| Available-for-sale financial assets | (200) | (958) |
| Property and equipment | - | - |
| Non-current assets held for sale | (1,246) | (476) |
| Other gains/(losses) on asset derecognitions | 12 | 98 |
| Total | (6,500) | (15,162) |

## 25.2.FEES AND COMMISSIONS.

“Fee and commission income" and "Fee and commission expenses" in the accompanying income statement include the amount corresponding to all commissions received, paid and payable accrued during the year, except for those which form an integral part of the effective interest rate on financial instruments. Related recognition criteria are set forth in Note 3.17.

The breakdown of fee and commission income or expenses generated in 2015 and 2014, by concept, is the following:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| **Fee and commission income** | | |
| Contingent commitments | 885 | 686 |
| Collection and payment services | 1,835 | 1,707 |
| Securities services | 4,384 | 4,243 |
| Sale of non-banking financial products (Note 23.3) | 6,832 | 5,676 |
| Other fees and commissions | 1,561 | 1,191 |
| Total | 15,497 | 13,503 |
| **Fee and commission expenses** | | |
| Fees and commissions paid to other entities and correspondent banks | (1,069) | (497) |
| Fee and commission expenses on securities transactions | (877) | (1,143) |
| Other fees and commissions | (685) | (1,038) |
| Total | (2,631) | (2,678) |

## 25.3.OTHER OPERATING INCOME.

The breakdown of this income statement heading in 2015 and 2014 is the following:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Income from investment properties | 480 | 404 |
| Operating leases | 4 | 5 |
| Other operating income | 3,357 | 2,995 |
| Total | 3,841 | 3,404 |
| Contribution to the Deposit Guarantee Fund (Note 2.6) | (1,919) | (6,987) |
| Other concepts | (665) | (97) |
| Total | (2,584) | (7,084) |

## 25.4.PERSONNEL EXPENSES.

The breakdown of this income statement heading is the following:

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Salaries and bonuses of serving personnel | (13,075) | (10,340) |
| Social security contributions | (2,997) | (2,246) |
| Contributions to pension plans (Note 19) | (27) | - |
| Termination benefits | (381) | (783) |
| Training expenses | (95) | (54) |
| Other personnel expenses | (548) | (310) |
| Total | (17,123) | (13,733) |

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

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Managers | 74 | 75 |
| Qualified employees and auxiliary staff | 217 | 197 |
| Total | 291 | 272 |

At December 31, 2015, the Group employed a total of 291 people, 174 men and 117 women (2014: 272 employees, 162 men and 110 women).

## 25.5.OTHER ADMINISTRATIVE EXPENSES.

The breakdown of this income statement heading is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Property, fixtures and materials | (3,204) | (1,942) |
| Information technology | (5,366) | (3,229) |
| Communications | (1,937) | (1,326) |
| Advertising and publicity | (1,657) | (983) |
| Legal and lawyer expenses | (332) | (139) |
| Technical reports | (538) | (1,617) |
| Surveillance and security carriage services | (334) | (236) |
| Insurance and self-insurance premiums | (202) | (123) |
| Governing and control bodies | (203) | (132) |
| Entertainment and staff travel expenses | (371) | (428) |
| Association membership fees | (148) | (96) |
| Outsourced administrative services | (957) | (755) |
| Contributions and taxes | | |
| Property | (127) | (197) |
| Other | (704) | (448) |
| Other expenses | (975) | (581) |
| Amounts awarded to foundations (Note 22) | (210) | (180) |
| Total | (17,265) | (12,412) |





# 26.RELATED ENTITIES

The Group's balances and transactions with related parties as of December 31, 2015 and 2014 are the following:

| | Thousands of euros | |
|---|---|---|
| | Other related parties (*) | |
| | 2015 | 2014 |
| ASSETS | | |
| Loans and advances | 13,108 | 13,992 |
| LIABILITIES | | |
| Deposits | 60,247 | 44,875 |
| MEMORANDUM ITEMS | | |
| ………… | 11,240 | 9,798 |
| Contingent exposures | 20 | 24 |
| INCOME STATEMENT | | |
| Income: | | |
| Interest and similar income plus fee and commission income | 376 | 412 |
| Expenses: | | |
| Interest expense and similar charges plus fee and commission expenses | 643 | 930 |

(*) Includes balances with members of the Board of Directors and entities related to them.

In 2015, the loans and credit facilities granted to members of the Board of Directors and to entities related to said board members accrued annual interest ranging from 2,5% to 7% (2014: annual interest ranging from 2% to 7%).

# 27.DIRECTOR AND KEY MANAGEMENT PERSONNEL REMUNERATION, PENSION COMMITMENTS TO SERVING AND FORMER MEMBERS OF THE BANK'S BOARD OF DIRECTORS AND REQUIRED TRANSPARENCY DISCLOSURES

## 27.1.BOARD OF DIRECTOR AND KEY MANAGEMENT REMUNERATION.

The members of the Board of Directors of the Parent received the following attendance fees in their capacity as directors in 2015:

| | Euros | | |
|---|---|---|---|
| | Remuneration in cash | Remuneration in kind | Total remuneration |
| **Director** | | | |
| Juan Luis Canadell Fernández | 793.65 | 1,383.86 | 2,177.51 |
| Alfonso Costa Cuadrench | 793.65 | 1,475.76 | 2,269.41 |
| Francisco Gil Fernández | 793.65 | 1,383.86 | 2,177.51 |
| Luis María Ortega Basagoiti | 793.65 | 1,383.86 | 2,177.51 |
| José Manuel Oñoro Pérez | 793.65 | 1,383.86 | 2,177.51 |
| José Polimón López | 793.65 | 1,383.86 | 2,177.51 |
| Clemente Solé Parellada | 793.65 | 1,383.86 | 2,177.51 |
| Mateo Velasco Arranz | 793.65 | 1,383.86 | 2,177.51 |
| **TOTAL** | **6,349.20** | **11,162.78** | **17,511.98** |

In 2015, the members of the Board of Directors of the Parent did not receive any other form of remuneration for attendance at the meetings of the Board or the Committees to which they belong (in 2014, the members of the Board of Directors other than the executive chairman did not receive any compensation, per diems or attendance fees such that no remuneration whatsoever was accrued in this respect).

The Parent deems the following people its key management personnel: the executive chairman, four managers registered with the Bank of Spain and the Barcelona manager, who received €720 thousand of remuneration in total in 2015 (in 2014 the Entity deemed its key management personnel to include, in addition to the members of the Board of Directors - who were not remunerated -, the members of the Entity's Mixed Committee, specifically the chairman, five non-remunerated directors, the general manager and three specialists, whose total remuneration amounted to €738 thousand).

The Group's key management personnel also benefit from pension commitments (a group life insurance policy) in respect of which €109 thousand was paid to insurance providers in the form of premiums in 2015 (2014: €94 thousand euros). They similarly benefit from a corporate employee benefits plan which has been endowed by €3 thousand in total to date.

The Parent has no obligation to pay termination benefits in excess of the legally-stipulated amounts in the event of the resignation or discontinuation of key management personnel.

## 27.2.DIRECTOR CONFLICTS OF INTEREST.

As required by article 229 of the Corporate Enterprises Act, the directors have informed the Bank that in 2015 they or their related parties, as defined in 231 of the said Corporate Enterprises Act:

• Did not perform transactions with the Entity other than those performed in the ordinary course of business, arranged at arm's length and of scant materiality, understood as transactions whose disclosure is not needed to present fairly the Entity's financial situation or performance.

• Did not use the Entity's name or their position as directors to unduly influence the arrangement of private transactions.

• Did not avail of the Company's assets, including its confidential information, for private use.

• Did not take advantage of the Entity's business opportunities.

• Did not obtain undue advantage or compensation from third parties in the course of the performance of their jobs, other than tokens of courtesy.

• Did not perform activities, whether as independent professionals or employees, implying effective competition, whether ad-hoc or potential, with the Entity or that in any other way constitute an ongoing conflict with respect to the Entity's interests.





# 28.ADDITIONAL INFORMATION

## 28.1.CUSTOMER SERVICES.

In conformity with Ministry of Economics Order ECO/734/2004, of March 11, on customer service departments, customer services and financial ombudsmen for credit institutions, and article 25 of the Entity’s Regulations for Defending Customers’ Rights, the annual report states that:

A total of 104 complaints and claims were received in 2015 (5 complaints and 99 claims). Fifty of them received responses from the Customer Service Department, in keeping with the Entity’s Regulations in this respect, and 54 were addressed by the Entity's Customer Ombudsman. Eight of these were appealed before the Bank of Spain, which ultimately ruled in favor of the Entity. Of total complaints and claims, 28 gave right to negotiated customer settlements improving the terms of the disputed loans, none of which resulted in any payment to the customers in question. Elsewhere, nine claims entailed the payment by the Group of a total sum of €53,368.97 to customers.

A total of 43 complaints and claims were received in 2014 (3 complaints and 40 claims). All of them received responses from the Customer Service Department, in keeping with the Entity’s Regulations in this respect. Four cases were brought to a higher level and were handled by the Entity’s Customer Ombudsman and presented to the Bank of Spain, which ultimately ruled in favor of the Entity. Of total complaints and claims, three claims gave right to negotiated customer settlements paid by the Entity totaling €29,849.

## 28.2.AGENCY AGREEMENTS.

The Bank did not have any “agency agreements” as defined in article 22 of Royal Decree 1245/1995, of July 14, 1995, at year-end 2015 or 2014 or at any time during those years.

## 28.3.EQUITY INTERESTS IN CREDIT INSTITUTIONS.

At December 31, 2015 and 2014, the Bank held 5% or more of the equity or voting rights of the following credit institutions:

| | % | |
|---|---|---|
| | 2015 | 2014 |
| Bancofar, S.A. | 81.27 | 78.92 |

## 28.4.ENVIRONMENTAL IMPACT AND GREENHOUSE GAS EMISSION RIGHTS.

Given the activity in which the Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial situation and results. Consequently, these notes to the financial statements do not include specific details regarding environmental issues.

The Group does not have any greenhouse gas emission rights.



## 28.5.AUDIT FEES.

The fees paid for the audit of the financial statements and other services rendered to the Group in 2015 and 2014 were the following:

| | Thousands of euros | | |
|---|---|---|---|
| | Audit of financial statements | Other services | Total |
| **2015** | | | |
| Ernst & Young | 90 | 87 | 177 |
| Other firms | 46 | - | 46 |
| Total | 136 | 87 | 223 |

| | Thousands of euros | | |
|---|---|---|---|
| | Audit of financial statements | Other services | Total |
| **2014** | | | |
| Ernst & Young | 94 | 70 | 164 |
| Other firms | 46 | - | 46 |
| Total | 140 | 70 | 210 |

## 28.6.UNCLAIMED BALANCES AND DEPOSITS.

The Group has no unclaimed accounts as described in article 18 of Law 33/2003, of November 3, on equity in public bodies.

## 28.7.DISCLOSURES REGARDING AVERAGE SUPPLIER PAYMENT TERMS.

On July 5, 2010, Spain published Law 15/2010, amending Law 3/2004 of December 29, 2004, establishing measures to tackle supplier non-payment.

Among other measures, the new legislation eliminates scope for "agreements among the parties" with respect to extending supplier payment terms. The legislation came in response to the financial ramifications of the economic crisis on all sectors which was translating into an increase in non-payment and delays in settling past due invoices, with particularly serious consequences for small and medium sized companies owing to their high dependence on short-term credit, all of which compounded by the liquidity crunch. In addition, in order to tackle these issues, the law sets a general maximum term for payment among companies of 60 calendar days from the date of delivery of the merchandise or performance of the service which took effect on January 1, 2013.

The table below provides the disclosures required under additional provision three of Law 15/2010 using the templates provided in the Resolution issued by the Spanish Audit and Accounting Institute (ICAC) on January 29, 2016 regarding the information to be disclosed in the financial statement notes in relation to the average term of payment to trade suppliers:

| | 2015 |
|---|---|
| | Days |
| Average supplier payment terms | 23 |
| Paid transactions ratio | 23 |
| Outstanding transactions ratio | 11 |
| | Amount (Thousands of euros) |
| Total amount of payments made | 16,638 |
| Total amount pending payment | 125 |

As provided in the sole additional provision of the Resolution issued by the ICAC on January 26, 2016, comparative information for the prior year is not provided as the 2015 financial statements are deemed first-time statements exclusively in relation to application of the principle of uniformity and the attendant prior-year disclosure requirement.

## 28.8.OTHER COMMITMENTS.

At December 31, 2015 and 2014, the Group did not have any commitments in addition to those described in these notes to the financial statements.

## 28.9.EARNINGS PER SHARE.

During 2015 and 2014, Banco Caminos, S.A. had 3,515,530 shares; the individual earnings per share were €1.79 during 2015, and €1.62 during 2014. These amounts correspond to both basic and diluted earnings per share, as there are no instruments which can be considered potential shares.

# 29.EVENTS AFTER THE BALANCE SHEET DATE

No other significant event has occurred between December 31, 2015 and March 31, 2016, the date on which the Board of Directors of the Banco Caminos, S.A. authorized the issuance of its consolidated financial statements, warranting disclosure in the accompanying consolidated financial statements in order to ensure fair presentation of the Bank's equity, financial situation or performance.

# 30.ADDITIONAL EXPLANATION REGARDING THE TRANSLATION OF THE CONSOLIDATED FINANCIAL STATEMENTS INTO ENGLISH

This document is a translation of the consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

The accounting policies applied by Banco Caminos, S.A. and subsidiaries in the consolidated financial statements conform to the International Financial Reporting Standards adopted by the European Union, which may differ from generally accepted accounting principles in other countries.





# APPENDIX I. 2015. SUBSIDIARIES.

| | | % | | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Company | Registered address | Ownership interest Direct | Ownership interest Indirect | Net carrying amount | 2015 | Remaining equity | Dividends Complementary | Dividends a Interim | Business activity |
| Bancofar, S.A. | C/ Fortuny, 51 | 81.27 | - | 43,069 | 2,120 | 91,916 | - | - | Credit institution |
| Calldurbon, S.L.U. | C/ Almagro, 8 | - | 100.00 | 12 | 2 | 121 | - | - | Communication services |
| Cartera Dinámica, S.I.C.A.V., S.A. | C/ Almagro, 8 | 94.06 | - | 3,752 | (372) | 4,773 | - | - | UCITS |
| Corporación Banco Caminos, S.L.U. | C/ Almagro, 8 | 100.00 | - | 30,000 | 674 | 32,091 | - | - | Purchase and holding of shares, equity investments, or debt instruments of other companies |
| Eurocartera 600, S.I.C.A.V., S.A. | C/ Almagro, 8 | 87.62 | - | 4,227 | 1,120 | 2,109 | - | - | UCITS |
| FAM Caminos, S.A. | C/ Almagro, 42 | - | 80.00 | 5,384 | 665 | 2,989 | 38 | - | Insurance broker |
| Gabinete de Estudio y Gestión Jurídica, S.A. | C/ Almagro, 8 | 64.76 | 35.24 | 24,874 | 29 | 29,615 | - | - | Asset acquisition, management, and sale |
| Gefonsa, S.V., S.A.U. | C/ Fernando el Santo, 3 | - | 100.00 | 3,585 | 911 | 7,315 | 422 | - | Brokerage |
| Gespensión Caminos, E.G.F.P., S.A. U. | C/ Fernando el Santo, 3 | - | 100.00 | 9,203 | 906 | 9,762 | 310 | - | Investment funds management |
| Gestifonsa, S.G.I.I.C., S.A.U. | C/ Almagro, 8 | - | 100.00 | 694 | 829 | 1,947 | 266 | - | UCITS management |
| Maxlan, S.A.U. | C/ Almagro, 8 | 100.00 | - | 8,520 | (194) | 8,992 | - | - | Land development, management, purchase, and sale |
| Servifonsa, A.I.E. | C/ Almagro, 8 | 87.83 | 12.17 | 248 | - | 250 | - | - | Administrative, financial, and accounting services |
| Sistemcam, S.A.U. | C/ Almagro, 8 | - | 100.00 | 602 | 40 | 1,060 | - | - | IT Services |
| Sync 2000, S.I.C.A.V., S.A. | C/ Almagro, 8 | 19.68 | - | 657 | 24 | 3,777 | - | - | UCITS |

# APPENDIX I. 2014. SUBSIDIARIES.

| Company | Registered address | % Ownership interest Direct | % Ownership interest Indirect | Thousands of euros Net carrying amount | 2014 | Remaining equity | Dividends Complementary | Dividends a Interim | Business activity |
|---|---|---|---|---|---|---|---|---|---|
| Agentecam, S.L.U. | C/ Almagro, 8 | - | 100.00 | 40 | (2) | 38 | - | - | Financial advisory and wealth management services |
| Arcogest, S.G.C., S.A. | C/ Ruiz de Alarcón, 12 | - | 100.00 | 688 | 42 | 246 | - | - | Discretionary portfolio management |
| Bancofar, S.A. | C/ Fortuny, 51 | 78.92 | - | 41,836 | (26,806) | 118,722 | - | - | Credit institution |
| Calldurbon, S.L.U. | C/ Almagro, 8 | - | 100.00 | 12 | - | 121 | - | - | Communication services |
| Cartera Dinámica, S.I.C.A.V., S.A. | C/ Almagro, 8 | 93.29 | - | 3,251 | 109 | 3,447 | - | - | UCITS |
| Corporación Banco Caminos, S.L.U. | C/ Almagro, 8 | 100.00 | - | 30,000 | 585 | 31,506 | - | - | Purchase and holding of shares, equity investments, or debt instruments of other companies |
| Eurocartera 600, S.I.C.A.V., S.A. | C/ Almagro, 8 | 89.20 | - | 3,480 | 532 | 4,894 | - | - | UCITS |
| FAM Caminos, S.A. | C/ Almagro, 42 | - | 80.00 | 5,384 | 238 | 2,769 | - | - | Insurance broker |
| Gabinete de Estudio y Gestión Jurídica, S.A. | C/ Almagro, 8 | 54.52 | 45.48 | 19,275 | 258 | 23,789 | - | - | Asset acquisition, management, and sale |
| Gefonsa, S.V., S.A.U. | C/ Fernando el Santo, 3 | - | 100.00 | 2,896 | 843 | 6,249 | - | - | Brokerage |
| Gespensión Caminos, E.G.F.P., S.A. U. | C/ Fernando el Santo, 3 | - | 100.00 | 9,203 | 632 | 9,451 | - | - | Investment funds management |
| Gestifonsa, S.G.I.I.C., S.A.U. | C/ Almagro, 8 | - | 100.00 | 694 | 548 | 1,647 | - | - | UCITS management |
| Maxlan, S.A.U. | C/ Almagro, 8 | 100.00 | - | 8,520 | (301) | 9,310 | - | - | Land development, management, purchase, and sale |
| Servifonsa, A.I.E. | C/ Almagro, 8 | 83.03 | 16.97 | 248 | - | 250 | - | - | Administrative, financial, and accounting services |
| Sistemcam, S.A.U. | C/ Almagro, 8 | - | 100.00 | 602 | 38 | 1,044 | - | - | IT Services |
| Sync 2000, S.I.C.A.V., S.A. | C/ Almagro, 8 | 19.76 | - | 657 | 186 | 3,576 | - | - | UCITS |





# APPENDIX II. THE SUMMARY SEPARATE BALANCE SHEET OF BANCO CAMINOS, S.A., AS OF DECEMBER 31, 2015 AND 2014 IS AS FOLLOWS.

| Thousands of euros | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and balances with central banks | 46,000 | 100,627 |
| Financial assets held for trading | 1,802 | 2,103 |
| Available-for-sale financial assets | 1,143,736 | 1,022,863 |
| Loans and receivables | 812,823 | 755,247 |
| Held-to-maturity investments | 97,583 | 12,353 |
| Investments | 99,689 | 92,046 |
| Property and equipment | 1,612 | 1,790 |
| Tax assets | 13,983 | 14,983 |
| Rest of assets | 466 | 310 |
| TOTAL ASSETS | 2,217,694 | 2,002,322 |
| **LIABILITIES** | | |
| Financial liabilities at amortized cost | 2,051,963 | 1,834,553 |
| Provisions | 8,210 | 1,592 |
| Tax liabilities | 14,741 | 20,137 |
| Other liabilities | 2,726 | 2,663 |
| TOTAL LIABILITIES | 2,077,640 | 1,858,945 |
| **EQUITY** | | |
| Valuation adjustments | 117,260 | 32,268 |
| Own funds | 22,794 | 111,109 |
| TOTAL EQUITY | 140,054 | 143,377 |
| TOTAL LIABILITIES AND EQUITY | 2,217,694 | 2,002,322 |
| **MEMORANDUM ITEMS** | | |
| **Contingents risks** | **37,395** | **40,770** |
| **Contingents commitments** | **122,502** | **127,084** |
| | 159,897 | 167,854 |

# APPENDIX II. THE SUMMARY SEPARATE INCOME STATEMENT OF BANCO CAMINOS, S.A. AS OF DECEMBER 31 IS AS FOLLOWS.

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| Interest and similar income | 40,155 | 41,614 |
| Interest expense and similar charges | (16,154) | (18,372) |
| **A) NET INTEREST INCOME** | **24,001** | **23,242** |
| Return on equity instruments | 572 | 93 |
| Fee and commission income | 4,502 | 4,780 |
| Fee and commission expenses | (1,660) | (1,946) |
| Gains or losses on financial assets and liabilities (net) | 9,989 | 16,923 |
| Exchange differences (net) | 434 | 300 |
| Other operating income | 547 | 392 |
| Other operating expenses | (1,798) | (4,726) |
| **B) GROSS INCOME** | **36,587** | **39,058** |
| Administration expenses | (18,019) | (15,939) |
| Depreciation and amortization | (327) | (284) |
| Provision expenses (net) | (7,022) | (1,078) |
| Impairment losses (net) on financial assets | (1,133) | (13,238) |
| **C) OPERATING PROFIT** | **10,086** | **8,519** |
| Impairment losses (net) on other assets | (1,046) | (441) |
| Gains /(Losses) on disposal of assets not classified as non-current assets held for sale | - | - |
| Negative differences in business combinations | - | - |
| Gains /(Losses) on disposal of non-current assets held for sale not classified as discontinued operations | - | - |
| **D) PROFIT (LOSS) BEFORE TAX** | **9,040** | **8,078** |
| Income tax | (2,763) | (2,379) |
| **E) PROFIT (LOSS) FROM ORDINARY ACTIVITIES** | **6,277** | **5,699** |
| Profit (loss) from discontinued operations (net) | - | - |
| **F) PROFIT (LOSS) FOR THE YEAR** | **6,277** | **5,699** |





# APPENDIX II. THE SUMMARY SEPARATE STATEMENT OF CHANGES IN EQUITY OF BANCO CAMINOS, S.A. AS OF DECEMBER 31 IS AS FOLLOWS.

## I.Statement of recognized income and expenses (summarized)

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| **A) PROFIT (LOSS) FOR THE PERIOD** | **6,277** | **5,699** |
| **B) OTHER RECOGNIZED INCOME AND EXPENSE** | **(9,474)** | **21,459** |
| **B.2) Items that may be reclassified to profit or loss** | **(9,474)** | **21,459** |
| Available-for-sale financial assets | (13,534) | 30,656 |
| Income tax expense | (4,060) | (9,197) |
| TOTAL RECOGNIZED INCOME AND EXPENSE | (3,197) | 27,158 |

# APPENDIX II.
# BANCO CAMINOS, S.A. CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT DECEMBER 31.

## II.Total changes in equity

Thousands of euros

| | Capital and reserves | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Share premium | Reserves | Other equity instruments | Less: Treasury shares | Profit for the year | Less: Dividends and remuneration | Total capital and reserves | Valuation adjustments | Total equity |
| Balance at 2013/12/31 | 27,491 | 29,028 | 45,008 | - | (168) | 5,486 | - | 106,845 | 10,809 | 117,654 |
| **Restated balance** | **27,491** | **29,028** | **45,008** | **-** | **(168)** | **5,486** | **-** | **106,845** | **10,809** | **117,654** |
| Total recognized income / (expense) | - | - | - | - | - | 5,699 | - | 5,699 | 21,459 | 27,158 |
| **Other changes in equity** | **-** | **-** | **5,506** | **-** | **(1,455)** | **(5,486)** | **-** | **(1,435)** | **-** | **(1,435)** |
| Transactions with treasury shares (net) | - | - | 20 | - | (1,455) | - | - | (1,435) | - | (1,435) |
| Transfers between equity accounts | - | - | 5,486 | - | - | (5,486) | - | - | - | - |
| Closing balance at December 31, 2014 | 27,491 | 29,028 | 50,514 | - | (1,623) | 5,699 | - | 111,109 | 32,268 | 143,377 |
| **Restated balance** | **27,491** | **29,028** | **50,514** | **-** | **(1,623)** | **5,699** | **-** | **111,109** | **32,268** | **143,377** |
| Total recognized income / (expense) | - | - | | | | 6,277 | | 6,277 | (9,474) | (3,197) |
| **Other changes in equity** | **-** | **-** | **5,792** | **-** | **(219)** | **(5,699)** | **-** | **(126)** | **-** | **(126)** |
| Transactions with treasury shares (net) | - | - | 93 | - | (219) | - | - | (126) | - | (126) |
| Transfers between equity accounts | - | - | 5,699 | - | - | (5,699) | - | - | - | - |
| Closing balance at December 31, 2015 | 27,491 | 29,028 | 56,306 | - | (1,842) | 6,277 | - | 117,260 | 22,794 | 140,054 |





# APPENDIX II.
# THE SUMMARY SEPARATE CASH FLOW STATEMENT OF BANCO CAMINOS, S.A. AS OF DECEMBER 31, 2015 AND 2014 IS AS FOLLOWS.

Thousands of euros

| | 2015 | 2014 |
|---|---|---|
| A) CASH FLOWS FROM OPERATING ACTIVITIES | 39,024 | 96,427 |
| **1. Consolidated profit (loss) for the year** | **6,277** | **5,699** |
| **2. Adjustments to obtain cash flows from operating activities** | **5,815** | **17,420** |
| Depreciation and amortization | 327 | 284 |
| Other adjustments | 5,488 | 17,136 |
| **3. Net increase/decrease in operating assets** | **(193,514)** | **(478,543)** |
| Financial assets and liabilities held for trading | 301 | (842) |
| Other financial assets at fair value through profit or loss | - | 2,128 |
| Available-for-sale financial assets | (134,607) | (309,718) |
| Loans and receivables | (59,052) | (169,943) |
| Other operating assets | (156) | (168) |
| **4. Net increase/decrease in operating liabilities** | **217,473** | **558,741** |
| Financial assets and liabilities held for trading | - | - |
| Other financial liabilities at fair value through profit or loss | - | - |
| Financial liabilities at amortized cost | 217,410 | 557,634 |
| Other operating liabilities | 63 | 1,107 |
| **5. Income tax receipts (payments)** | **2,973** | **(6,890)** |
| B) CASH FLOWS FROM INVESTING ACTIVITIES | (93,525) | (46,028) |
| **6. Payments:** | **(8,295)** | **(48,956)** |
| Property and equipment | (149) | (318) |
| Intangible assets | - | - |
| Investments | (8,146) | (48,638) |
| Subsidiaries and other business units | - | - |
| Non-current assets and related liabilities held for sale | - | - |
| Held-to-maturity investments | - | - |
| Other payments related to investing activities | - | - |

Follow

| | Thousands of euros 2015 | 2014 |
|---|---|---|
| **7. Collections:** | **(85,230)** | **2,928** |
| Property and equipment | - | - |
| Intangible assets | - | - |
| Investments | - | - |
| Subsidiaries and other business units | - | - |
| Non-current assets and related liabilities held for sale | - | - |
| Held-to-maturity investments | (85,230) | 2,928 |
| Other payments related to investing activities | - | - |
| **C) CASH FLOWS FROM FINANCING ACTIVITIES** | **(126)** | **(1,435)** |
| **8. Payments:** | **(126)** | **(1,435)** |
| Dividends - | - | |
| Subordinated liabilities | - | - |
| Redemption of own equity instruments | - | - |
| Acquisition of own equity instruments | (126) | (1,435) |
| Other payments related to financing activities | - | - |
| **9. Collections:** | **-** | **-** |
| Subordinated liabilities | - | - |
| Issue of own equity instruments | - | - |
| Disposal of equity instruments | - | - |
| Other payments related to financing activities | - | - |
| **D) NET FOREIGN EXCHANGE DIFFERENCE** | **-** | **-** |
| **E) INCREASE/(DECREASE) NET OF CASH AND CASH EQUIVALENTS (A+B+C+D)** | **(54,627)** | **48,964** |
| **F) TOTAL CASH AND CASH EQUIVALENTS AT DECEMBER 31** | **100,627** | **51,663** |
| **G) TOTAL CASH AND CASH EQUIVALENTS AT DECEMBER 31 (E+F)** | **46,000** | **100,627** |

Follow

| | Thousands of euros 2015 | 2014 |
|---|---|---|
| Memorandum item: | | |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT DECEMBER 31** | | |
| Cash | 1,134 | 988 |
| Cash equivalents at central banks | 44,866 | 99,639 |
| Other financial assets | - | - |
| Less: Overdrafts repayable on demand | - | - |
| **TOTAL CASH AND CASH EQUIVALENTS AT DECEMBER 31** | **46,000** | **100,627** |

# BANCO CAMINOS, S.A. AND ITS CONSOLIDATED GROUP ANNUAL BANKING REPORT

The information required to comply with the provisions of article 87.1 of Law 10/2014, of June 26, 2014, on the structuring, supervision and capital adequacy of credit institutions, is provided below.

**a) The name, nature of activities and geographical location of the Bank**

The standard and regular business activity of Banco Caminos, S.A. is to receive funds from the public in the form of deposits, loans, the temporary transfer of financial assets and equivalent arrangements associated with the requirement to repay them, using such funds on its own account to grant loans, award credit or enter into other transactions of a similar nature that service the financial needs of its customers. To this end it may perform all the asset, liability and service transactions permitted of a credit institution. It mainly operates in Spain, on a nationwide basis, without prejudice to the scope for developing the legally-permitted services outside of Spain in the future. The Bank carries on its activities via two offices located in Madrid.

**b) Revenue, profit before tax, income tax and public subsidies received (data for the consolidated Group)**

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Interest and similar income | 64,578 | 53,520 |
| Profit before tax | 16,976 | 43,091 |
| Income tax expense | (4,988) | (3,797) |
| Public subsidies received | - | - |



**c) Number of full-time employees**

| | No. of people | |
|---|---|---|
| | 2015 | 2014 |
| Number of full-time employees | 271 | 272 |

The return on assets, calculated as net profit divided by the total balance sheet, was 0.42% in 2015 (2014: 1.49%).

# 2015 MANAGEMENT REPORT

On the macroeconomic front, 2015 was a year of continuity and consolidation relative to the economic performance sustained in 2014.

In an increasingly global environment, in which the various economies fall into sync faster than ever, the monetary policies deployed by the growth-oriented central banks helped buoy growth, which nevertheless remains below its potential rate and is far from generating inflationary pressure.

Against this backdrop, the US economy registered annual GDP growth of 2.4%, repeating its 2014 performance, accompanied by a rate of employment which continued to trend lower towards the 5.0% mark - very close to full employment from a technical standpoint - and continued moderate inflation of just 0.7% for the year. Towards the end of the year, the US Federal Reserve gave the go-ahead for the first hike in benchmark rates since 2008, setting a prudent roadmap for successive hikes in the medium term, shaped mainly by the ongoing decline in energy prices, the lack of pressure on wages for the time being and the drop in import prices in the wake of dollar appreciation.

In the eurozone, meanwhile, the ECB notably stepped up the quantitative easing (QE) measures embarked upon in 2014. Eurozone GDP growth came in at 1.6%, firming from the rate of 0.9% observed in 2014. The lack of any discernible signs of inflationary pressure (CPI of 0.2%) also facilitated these measures, foreshadowing a protracted period of low rates until such time as economic activity begins to show signs of sustained growth, fueling price increases.

In Spain, the economic recovery gathered traction: GDP growth was 3.2%, underpinned by the reactivation of internal consumer and industrial demand, which rose by 3.4% on aggregate and registered across-the-board growth, extending the trend initiated in 2014. With inflation hovering at zero, there is ample scope for extending the current expansive monetary policies, further facilitating economic growth.



For Banco Caminos, 2015 was another year of growth. The intense consolidation effort of recent years gave way to an unprecedented squeeze on interest margins in the financial sector, driven by the unusually low levels of interest rates and tough competition (as its rivals went from focusing their efforts on winning customer deposits during the years of crisis in order to remedy the liquidity deficit hangover from the credit boom years to refocusing on their lending activity and striving to secure off-balance sheet customer assets - inflows into mutual funds, pension funds, insurance products and managed portfolios - in an attempt to eke out higher margins from these products to offset the loss of net interest margin).

In this scenario, in which the Bank left behind its strategy of pursuing volume growth at reasonable margins, shifting its focus to customer retention via product and service bundling, Banco Caminos maintained and reinforced its unique approach to the banking business, reaching out customers with the sole objective of helping them to resolve their financial needs.

A model that has always been underpinned by maintenance of our hallmark strong and stable liquidity and solvency levels. This consistency is what has enabled the Bank to pursue acquisitions, such as that of Bancofar, designed to boost revenue generation and rationalize expenses at both the individual and consolidated levels: the capital used to pursue this acquisition is already being replenished and the Bank is gradually restoring its strong solvency levels.

As a result, in 2015, Banco Caminos presented excellent growth in several of its key performance indicators, notably growth in ordinary consolidated profit for the year in excess of 18%.

Turning to its balance sheet performance, the Group's assets at year-end 2015 were 8.69% (or €228,949 thousand) higher than at year-end 2014, at €2,862,356 thousand.

On the liability side of the balance sheet, the growth of prior years also continued, marked by a significant increase in customer deposits of 10.68%, or €215,301 thousand, to put the year-end balance at €2,230,194 thousand and total liabilities at €2,648,917 thousand.

As for off-balance sheet funds, derived mainly from the management of assets through mutual funds, pension plans and customer portfolios, these assets rose 8.83% to €1,086,060 thousand.

Profit before tax amounted to €16,976 thousand, while profit after tax totaled €11,988 thousand.

The members of the Board of Directors of Banco Caminos S.A. authorized the issuance of the financial statements and management report for the year ended December 31, 2015 at a meeting held on March 31, 2016; the said documents state that they were prepared in accordance with the financial principles applicable to the Entity and present fairly the equity, financial position and financial performance of Banco Caminos S.A.

Once again this year, we would like to note that the Entity's healthy recurring earnings performance is the result of the dedication and good judgment of the members of the Board of Directors and the hard work and professionalism of its staff, coupled with the vote of confidence of our shareholders and customers who between them make it possible for this venture to continue to perform well year after year.

The members of the Board of Directors of Banco Caminos, S.A. approved the issuance of the consolidated financial statements and the consolidated management report for the year ended December 31, 2015 at a meeting held on March 31, 2016 and state that, to the best of their knowledge, the 2015 consolidated and individual financial statements have been prepared in accordance with applicable accounting principles and give a true and fair view of the equity, financial position and results of Banco Caminos, S.A. and the consolidated companies taken as a whole, and that the accompanying management report includes a fair analysis of the Group's business performance, earnings and position, as well as a description of the main risks and uncertainties facing them.


Banco Caminos
banco privado