

**CAJA RURAL DE CASTILLA-LA MANCHA,  
SOCIEDAD COOPERATIVA DE CRÉDITO**

Independent Auditor's report  
on the consolidated annual accounts  
and the consolidated Director's Report  
December 31, 2014



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

## **INDEPENDENT AUDITOR´S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS**

To the Cooperative Shareholders of Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito:

### **Report on the consolidated annual accounts**

We have audited the accompanying consolidated annual accounts of Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

#### *Directors' Responsibility for the Consolidated Annual Accounts*

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

#### *Auditor's Responsibility*

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

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

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



### *Opinion*

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito, and its subsidiaries as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated Directors' Report for 2014 contains the explanations which the parent company's Directors consider appropriate regarding Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito and its subsidiaries' situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the Directors' Report is in agreement with that of the consolidated annual accounts for 2014. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito and its subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by  
Alejandro Esnal

March 16, 2015

**CAJA RURAL DE CASTILLA-LA MANCHA,  
SOCIEDAD COOPERATIVA DE CRÉDITO**

Audit Report,  
Consolidated Annual Accounts at 31 December 2014 and  
Consolidated Directors' Report for 2014

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2014 AND 2013

| <b>ASSETS</b>  | <b>Note</b> | <b>Thousand euro</b> |                  |
|--|-------------|----------------------|------------------|
|  |             | <b>2014</b>          | <b>2013 (*)</b>  |
| <b>Cash and deposits at central banks</b>                                      | <b>6</b>    | <b>120,201</b>       | <b>111,662</b>   |
| <b>Trading portfolio</b>   | <b>7</b>    | -                    | -                |
| Bank deposits  |             | -                    | -                |
| Loans and advances to customers  |             | -                    | -                |
| Debt securities  |             | -                    | -                |
| Equity instruments   |             | -                    | -                |
| Derivatives held for trading   |             | -                    | -                |
| <i>Memorandum Items: Loans or guarantees</i>                                   |             | -                    | -                |
| <b>Other financial assets at fair value through changes in profit and loss</b> | <b>8</b>    | <b>45,413</b>        | <b>16,146</b>    |
| Bank deposits  |             | 18,077               | -                |
| Loans and advances to customers  |             | -                    | -                |
| Debt securities  |             | 27,336               | 16,146           |
| Equity instruments   |             | -                    | -                |
| <i>Memorandum Items: Loans or guarantees</i>                                   |             | -                    | -                |
| <b>Available-for-sale financial assets</b>                                     | <b>9</b>    | <b>2,192,581</b>     | <b>1,500,212</b> |
| Debt securities  |             | 1,952,305            | 1,361,925        |
| Equity instruments   |             | 240,276              | 138,287          |
| <i>Memorandum Items: Loans or guarantees</i>                                   |             | -                    | -                |
| <b>Loan investments</b>  | <b>10</b>   | <b>4,152,878</b>     | <b>3,700,576</b> |
| Bank deposits  |             | 1,367,942            | 1,324,242        |
| Loans and advances to customers  |             | 2,784,936            | 2,376,334        |
| Debt securities  |             | -                    | -                |
| <i>Memorandum Items: Loans or guarantees</i>                                   |             | 504,660              | 517,241          |
| <b>Held-to-maturity investment portfolio</b>                                   | <b>11</b>   | <b>40,000</b>        | <b>40,000</b>    |
| <i>Memorandum Items: Loans or guarantees</i>                                   |             | -                    | -                |
| <b>Adjustments to financial assets due to macro-hedging</b>                    |             | -                    | -                |
| <b>Hedge derivatives</b>   | <b>7</b>    | <b>269</b>           | -                |
| <b>Non-current assets for sale</b>   | <b>13</b>   | <b>26,564</b>        | <b>23,640</b>    |
| <b>Shares</b>  | <b>12</b>   | -                    | -                |
| Associates   |             | -                    | -                |
| Jointly controlled companies   |             | -                    | -                |
| Group companies  |             | -                    | -                |
| <b>Insurance policies associated with pensions</b>                             |             | -                    | -                |
| <b>Assets held for reinsurance</b>   |             | -                    | -                |
| <b>Property, plant and equipment</b>   | <b>14</b>   | <b>41,652</b>        | <b>39,544</b>    |
| Property, plant and equipment  |             | 41,652               | 39,544           |
| For own use  |             | 41,652               | 39,544           |
| Assigned under operating lease   |             | -                    | -                |
| Associated with the Education and Development                                  |             | -                    | -                |
| Fund   |             | -                    | -                |
| Investment properties  |             | -                    | -                |
| <i>Memorandum Items: Acquired under finance lease</i>                          |             | -                    | -                |
| <b>Intangible assets</b>   | <b>15</b>   | <b>1,081</b>         | <b>1,242</b>     |
| Goodwill   |             | -                    | -                |
| Other intangible assets  |             | 1,081                | 1,242            |
| <b>Tax assets</b>  | <b>25</b>   | <b>33,709</b>        | <b>25,649</b>    |
| Current  |             | 2,545                | 5,082            |
| Deferred   |             | 31,164               | 20,567           |
| <b>Other assets</b>  | <b>16</b>   | <b>14,665</b>        | <b>17,308</b>    |
| Inventories  |             | 219                  | 181              |
| Rest   |             | 14,446               | 17,127           |
| <b>TOTAL ASSETS</b>  |             | <b>6,669,013</b>     | <b>5,475,979</b> |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2014 AND 2013**

| <b>LIABILITIES</b>  | <b>Note</b> | <b>Thousand euro</b> |                  |
|---|-------------|----------------------|------------------|
|   |             | <b>2014</b>          | <b>2013 (*)</b>  |
| <b>Trading portfolio</b>  | <b>7</b>    | -                    | -                |
| Deposits at central banks   |             | -                    | -                |
| Deposits at credit institutions   |             | -                    | -                |
| Customer deposits   |             | -                    | -                |
| Debts represented by marketable securities                              |             | -                    | -                |
| Derivatives held for trading  |             | -                    | -                |
| Short securities positions  |             | -                    | -                |
| Other financial liabilities   |             | -                    | -                |
| <b>Other financial liabilities at fair value through profit or loss</b> |             | -                    | -                |
| Deposits at central banks   |             | -                    | -                |
| Deposits at credit institutions   |             | -                    | -                |
| Customer deposits   |             | -                    | -                |
| Debts represented by marketable securities                              |             | -                    | -                |
| Subordinated debt   |             | -                    | -                |
| Other financial liabilities   |             | -                    | -                |
| <b>Financial liabilities at amortised cost</b>                          | <b>17</b>   | <b>6,229,955</b>     | <b>5,093,410</b> |
| Deposits at central banks   |             | 893,725              | 737,719          |
| Deposits at credit institutions   |             | 640,274              | 605,493          |
| Customer deposits   |             | 4,662,280            | 3,719,594        |
| Debts represented by marketable securities                              |             | -                    | 529              |
| Subordinated debt   |             | -                    | -                |
| Other financial liabilities   |             | 33,676               | 30,075           |
| <b>Adjustments to financial liabilities due to macro-hedging</b>        |             | -                    | -                |
| <b>Hedge derivatives</b>  | <b>7</b>    | -                    | -                |
| <b>Liabilities associated with non-current assets for sale</b>          |             | -                    | -                |
| <b>Insurance policy liabilities</b>                                     |             | -                    | -                |
| <b>Provisions</b>   | <b>18</b>   | <b>3,695</b>         | <b>11,265</b>    |
| Provisions for pensions and similar liabilities                         |             | -                    | -                |
| Provisions for taxes and other legal contingencies                      |             | -                    | -                |
| Provisions for contingent liabilities and charges                       |             | 1,619                | 1,402            |
| Other provisions  |             | 2,076                | 9,863            |
| <b>Tax liabilities</b>  | <b>25</b>   | <b>27,776</b>        | <b>16,252</b>    |
| Current   |             | 238                  | 160              |
| Deferred  |             | 27,538               | 16,092           |
| <b>Education and Development Fund</b>                                   | <b>24</b>   | <b>4,546</b>         | <b>1,947</b>     |
| <b>Other liabilities</b>  | <b>16</b>   | <b>19,469</b>        | <b>19,640</b>    |
| <b>TOTAL LIABILITIES</b>  |             | <b>6,285,441</b>     | <b>5,142,514</b> |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2014 AND 2013**

|   | Note      | Thousand euro    |                  |
|---|-----------|------------------|------------------|
|   |           | 2014             | 2013 (*)         |
| <b>Capital and reserves</b>                                   | <b>22</b> | <b>313,585</b>   | <b>297,903</b>   |
| Capital or appropriation fund                                 |           | 50,594           | 50,321           |
| Authorised  |           | 50,594           | 50,321           |
| Less: uncalled capital  |           | -                | -                |
| Share premium account   |           | -                | -                |
| Reserves  |           | 244,123          | 243,946          |
| Accumulated reserves (losses)                                 |           | 244,123          | 243,946          |
| (Losses)/reserves in entities carried under the equity method |           | -                | -                |
| Other equity instruments                                      |           | -                | -                |
| Compound financial instruments                                |           | -                | -                |
| Participating shares and associated funds (Savings Banks)     |           | -                | -                |
| Other equity instruments                                      |           | -                | -                |
| Less: Treasury shares   |           | -                | -                |
| Results for the year attributable to the parent entity        | 23        | 18,868           | 3,636            |
| Less: Dividends and remuneration                              |           |                  |                  |
| <b>Measurement adjustments</b>                                | <b>21</b> | <b>67,960</b>    | <b>33,543</b>    |
| Available-for-sale financial assets                           | 9.3       | 67,519           | 33,543           |
| Cash flow hedging   |           | 202              | -                |
| Net investment hedging on foreign operations                  |           | -                | -                |
| Exchange differences  |           | 239              | -                |
| Non-current assets for sale                                   |           | -                | -                |
| Entities measured using the equity method                     |           | -                | -                |
| Other measurement adjustments                                 |           | -                | -                |
| <b>Minority shareholders</b>                                  | <b>20</b> | <b>2,027</b>     | <b>2,019</b>     |
| Measurement adjustments                                       |           | -                | -                |
| Other   |           | 2,027            | 2,019            |
| <b>TOTAL EQUITY</b>   |           | <b>383,572</b>   | <b>333,465</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           |           | <b>6,669,013</b> | <b>5,475,979</b> |
| <b>MEMORANDUM ITEMS</b>                                       |           |                  |                  |
| Contingent liabilities  | 19.1      | 203,855          | 174,482          |
| Contingent commitments  | 19.2      | 333,009          | 438,901          |
|   |           | <b>536,864</b>   | <b>613,383</b>   |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013**

|   | Note      | Thousand euro  |                |
|---|-----------|----------------|----------------|
|   |           | 2014           | 2013 (*)       |
| Interest and similar income   | 27        | 144,453        | 146,275        |
| Interest and similar expenses   | 27        | (54,926)       | (66,410)       |
| Compensation for capital repayable on demand  |           | -              | -              |
| <b>INTEREST MARGIN</b>  |           | <b>89,527</b>  | <b>79,865</b>  |
| Return on equity instruments  | 9.2       | 381            | 541            |
| Results from entities measured using the equity method                                  |           | -              | -              |
| Fees received   | 28        | 24,428         | 16,214         |
| Fees paid   | 28        | (5,726)        | (2,213)        |
| Profits from financial transactions (net)   | 27        | 16,857         | 15,769         |
| Trading portfolio   |           | 60             | -              |
| Other financial instruments at fair value through profit or loss                        |           | (8,054)        | 3,880          |
| Other financial instruments not stated at fair value through profit or loss             |           | 24,501         | 11,894         |
| Other   |           | 350            | (5)            |
| Exchange differences (net)  |           | 110            | 69             |
| Other operating income  | 29        | 5,163          | 9,669          |
| Income from insurance and reinsurance policies issued                                   |           | -              | -              |
| Sales and income from non-financial services rendered                                   |           | 3,673          | 8,338          |
| Other operating income  |           | 1,490          | 1,331          |
| Other operating charges   | 29        | (9,736)        | (10,951)       |
| Expenses for insurance and reinsurance policies   |           | -              | -              |
| Change in inventories   |           | -              | -              |
| Other operating expenses  |           | (9,736)        | (10,951)       |
| <b>GROSS MARGIN</b>   |           | <b>121,004</b> | <b>108,963</b> |
| Administration expenses   |           | (69,734)       | (59,783)       |
| Personnel expenses  | 30        | (36,747)       | (40,035)       |
| Other general administrative expenses   | 31        | (32,987)       | (19,748)       |
| Depreciation/Amortisation   | 14 and 15 | (2,504)        | (2,256)        |
| Appropriations to provisions (net)  | 32        | 5,489          | (2,290)        |
| Financial asset impairment losses (net)   |           | (23,791)       | (35,712)       |
| Loans   | 10.3      | (23,369)       | (34,866)       |
| Other financial instruments not stated at fair value through profit or loss             | 9.3       | (422)          | (846)          |
| <b>RESULTS FROM OPERATIONS</b>  |           | <b>30,464</b>  | <b>8,922</b>   |
| Impairment losses on other assets (net)   | 33        | (484)          | (229)          |
| Goodwill and other intangible assets  |           | -              | -              |
| Other assets  |           | (484)          | (229)          |
| Gain/(loss) on the disposal of assets not classified as non-current assets for sale     | 33        | (1,959)        | (1,052)        |
| Losses on business combinations   |           | -              | -              |
| Gains/(Losses) on non-current assets for sale not classified as discontinued operations | 33        | (4,971)        | (3,665)        |
| <b>PROFIT/(LOSS) BEFORE INCOME TAX</b>  |           | <b>23,050</b>  | <b>3,976</b>   |
| Corporate income tax  | 25        | (228)          | 509            |
| Mandatory appropriation to community projects and social funds                          |           | (3,946)        | (811)          |
| <b>PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS</b>                                |           | <b>18,876</b>  | <b>3,674</b>   |
| Gain/ loss on discontinued operations (net)   |           | -              | -              |
| <b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>  |           | <b>18,876</b>  | <b>3,674</b>   |
| Result attributed to the Parent Entity  |           | 18,868         | 3,636          |
| Result attributed to minority interests   | 20        | 8              | 38             |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).



**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013**

- a) Statement of Recognized Income and Expenses for the years ended 31 December 2014 and 2013

|   | Thousand euro |               |
|---|---------------|---------------|
|   | 2014          | 2013 (*)      |
| <b>A) PROFIT FOR THE YEAR</b>   | <b>18,876</b> | <b>3,674</b>  |
| <b>B) OTHER RECOGNIZED INCOME AND EXPENSE</b>                                 | <b>34,628</b> | <b>22,485</b> |
| <b>B.1) Items that will not be reclassified to profit/(loss)</b>              | <b>211</b>    | <b>76</b>     |
| 1. Actuarial gains/(losses) on defined benefit plans                          | 211           | 95            |
| Non-current assets for sale   | -             | -             |
| Income tax relating to items that will not be reclassified to profit and loss | -             | (19)          |
| <b>B.2) Items that may be reclassified to profit and loss</b>                 | <b>34,417</b> | <b>22,409</b> |
| 1. Available-for-sale financial assets  | 45,302        | 29,879        |
| Measurement gains / losses  | 59,386        | 45,636        |
| Amounts transferred to the income statement                                   | (14,084)      | (15,757)      |
| Other reclassifications   | -             | -             |
| 2. Cash flow hedging  | 269           | -             |
| Measurement gains / (losses)  | 269           | -             |
| Amounts transferred to the income statement:                                  | -             | -             |
| Amounts transferred to initial value of hedged items                          | -             | -             |
| Other reclassifications   | -             | -             |
| 3. Net investment hedging on foreign operations                               | -             | -             |
| Measurement gains / (losses)  | -             | -             |
| Amounts transferred to the income statement:                                  | -             | -             |
| Other reclassifications   | -             | -             |
| 4. Exchange differences   | 318           | -             |
| Measurement gains / (losses)  | 318           | -             |
| Amounts transferred to the income statement:                                  | -             | -             |
| Other reclassifications   | -             | -             |
| 5. Non-current assets for sale  | -             | -             |
| Measurement gains / losses  | -             | -             |
| Amounts transferred to the income statement:                                  | -             | -             |
| Other reclassifications   | -             | -             |
| 8. Other recognized income and expenses                                       | -             | -             |
| 9. Income tax relating to items that may be reclassified to profit and loss   | (11,472)      | (7,470)       |
| <b>TOTAL RECOGNIZED INCOME/(EXPENSE) (A + B)</b>                              | <b>53,504</b> | <b>26,159</b> |
| Attributed to the Parent Entity   | 53,496        | 26,121        |
| Attributed to minority interests  | 8             | 38            |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

b) Consolidated statement of total changes in equity for the year ended 31 December 2014

|  | Thousand euro          |                       |                               |   |                          |                       |  |                                  |                |                         |                |                    |                |
|--|------------------------|-----------------------|-------------------------------|---|--------------------------|-----------------------|--|----------------------------------|----------------|-------------------------|----------------|--------------------|----------------|
|  | Reserves               |                       |                               |   |                          |                       | Capital and reserves                                   |                                  |                |                         |                |                    |                |
|  | Capital/Endowment fund | Share premium account | Accumulated reserves (losses) | (Losses)/reserves in entities carried under the equity method | Other Equity instruments | Less: Treasury shares | Results for the year attributable to the parent entity | Less: dividends and remuneration | Total equity   | Measurement adjustments | Total          | Minority interests | Total equity   |
| <b>Beginning balance at 31 December 2013 (*)</b>   | <b>50,321</b>          | -                     | <b>243,946</b>                | -   | -                        | -                     | <b>3,636</b>   | -                                | <b>297,903</b> | <b>33,543</b>           | <b>331,446</b> | <b>2,019</b>       | <b>333,465</b> |
| Adjustments due to changes in accounting standards   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Adjustments for errors (Note 2.d)  | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| <b>Adjusted beginning balance</b>  | <b>50,321</b>          | -                     | <b>243,946</b>                | -   | -                        | -                     | <b>3,636</b>   | -                                | <b>297,903</b> | <b>33,543</b>           | <b>331,446</b> | <b>2,019</b>       | <b>333,465</b> |
| <b>Total recognized income and expense</b>   | -                      | -                     | <b>211</b>                    | -   | -                        | -                     | <b>18,868</b>  | -                                | <b>19,079</b>  | <b>34,417</b>           | <b>53,496</b>  | <b>8</b>           | <b>53,504</b>  |
| <b>Other changes in equity</b>   | <b>273</b>             | -                     | <b>(34)</b>                   | -   | -                        | -                     | <b>(3,636)</b>   | -                                | <b>(3,397)</b> | -                       | <b>(3,397)</b> | -                  | <b>(3,397)</b> |
| Increases in capital/endowment fund  | 459                    | -                     | -                             | -   | -                        | -                     | -  | -                                | 459            | -                       | 459            | -                  | 459            |
| Capital reductions   | (186)                  | -                     | -                             | -   | -                        | -                     | -  | -                                | (186)          | -                       | (186)          | -                  | (186)          |
| Conversion of financial liabilities into capital   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Increases in other equity instruments  | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Reclassification of financial liabilities to other equity instruments                          | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Reclassification of other equity instruments to financial liabilities                          | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Distribution of dividends/Shareholder compensation   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Transactions involving treasury shares (net)   | -                      | -                     | -                             | -   | -                        | -                     | (2,862)  | -                                | (2,862)        | -                       | (2,862)        | -                  | (2,862)        |
| Transfers among equity items   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Increases (decreases) for business combinations  | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Discretionary appropriation to community project funds (Savings Banks and Credit Cooperatives) | -                      | -                     | (800)                         | -   | -                        | -                     | -  | -                                | (800)          | -                       | (800)          | -                  | (800)          |
| Payments using capital instruments   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Other equity increases/(decreases)   | -                      | -                     | 766                           | -   | -                        | -                     | (774)  | -                                | (8)            | -                       | (8)            | -                  | (8)            |
| <b>Ending balance at 31 December 2014</b>  | <b>50,594</b>          | -                     | <b>244,123</b>                | -   | -                        | -                     | <b>18,868</b>  | -                                | <b>313,585</b> | <b>67,960</b>           | <b>381,545</b> | <b>2,027</b>       | <b>383,572</b> |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

b) Consolidated statement of changes in equity for the year ended 31 December 2013 (\*)

|  | Thousand euro          |                       |                               |   |                          |                       |  |                                  |                |                         |                |                    |                |
|--|------------------------|-----------------------|-------------------------------|---|--------------------------|-----------------------|--|----------------------------------|----------------|-------------------------|----------------|--------------------|----------------|
|  | Reserves               |                       |                               |   |                          |                       | Capital and reserves                                   |                                  |                |                         |                |                    |                |
|  | Capital/Endowment fund | Share premium account | Accumulated reserves (losses) | (Losses)/reserves in entities carried under the equity method | Other Equity instruments | Less: Treasury shares | Results for the year attributable to the parent entity | Less: dividends and remuneration | Total equity   | Measurement adjustments | Total          | Minority interests | Total equity   |
| <b>Beginning balance at 31 December 2012</b>   | <b>41,181</b>          | -                     | <b>249,828</b>                | -   | -                        | -                     | <b>3,450</b>   | -                                | <b>294,459</b> | <b>11,134</b>           | <b>305,593</b> | <b>1,981</b>       | <b>307,574</b> |
| Adjustments due to changes in accounting standards (**)  | -                      | -                     | (4,705)                       | -   | -                        | -                     | -  | -                                | (4,705)        | -                       | (4,705)        | -                  | (4,705)        |
| Adjustments for errors (Note 2.d)  | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| <b>Adjusted beginning balance</b>  | <b>41,181</b>          | -                     | <b>245,123</b>                | -   | -                        | -                     | <b>3,450</b>   | -                                | <b>289,754</b> | <b>11,134</b>           | <b>300,888</b> | <b>1,981</b>       | <b>302,869</b> |
| <b>Total recognized income and expense</b>   | -                      | -                     | <b>76</b>                     | -   | -                        | -                     | <b>3,636</b>   | -                                | <b>3,712</b>   | <b>22,409</b>           | <b>26,121</b>  | <b>38</b>          | <b>26,159</b>  |
| <b>Other changes in equity</b>   | <b>9,140</b>           | -                     | <b>(1,253)</b>                | -   | -                        | -                     | <b>(3,450)</b>   | -                                | <b>4,437</b>   | -                       | <b>4,437</b>   | -                  | <b>4,437</b>   |
| Increases in capital/endowment fund  | 9,338                  | -                     | -                             | -   | -                        | -                     | -  | -                                | 9,338          | -                       | 9,338          | -                  | 9,338          |
| Capital reductions   | (199)                  | -                     | -                             | -   | -                        | -                     | -  | -                                | (199)          | -                       | (199)          | -                  | (199)          |
| Conversion of financial liabilities into capital   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Increases in other equity instruments  | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Reclassification of financial liabilities to other equity instruments                          | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Reclassification of other equity instruments to financial liabilities                          | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Distribution of dividends/Shareholder compensation   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Transactions involving treasury shares (net)   | -                      | -                     | -                             | -   | -                        | -                     | (2,468)  | -                                | (2,468)        | -                       | (2,468)        | -                  | (2,468)        |
| Transfers among equity items   | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Increases (decreases) for business combinations  | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Discretionary appropriation to community project funds (Savings Banks and Credit Cooperatives) | -                      | -                     | (1,950)                       | -   | -                        | -                     | -  | -                                | (1,950)        | -                       | -              | -                  | (1,950)        |
| Payments using equity instruments  | -                      | -                     | -                             | -   | -                        | -                     | -  | -                                | -              | -                       | -              | -                  | -              |
| Other equity increases/(decreases)   | 1                      | -                     | 697                           | -   | -                        | -                     | (982)  | -                                | (284)          | -                       | (284)          | -                  | (284)          |
| <b>Ending balance 31 December 2013</b>   | <b>50,321</b>          | -                     | <b>243,946</b>                | -   | -                        | -                     | <b>3,636</b>   | -                                | <b>297,903</b> | <b>33,543</b>           | <b>331,446</b> | <b>2,019</b>       | <b>333,465</b> |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).

(\*\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had a retroactive effect for 2013 and 2012 (Note 2f).

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

|  | Thousand euro      |                  |
|--|--------------------|------------------|
|  | 2014               | 2013 (*)         |
| <b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                    |                  |
| 1. Consolidated profit for the year  | 18,876             | 3,636            |
| 2. Adjustments made to obtain cash flows from operating activities         | 28,195             | 44,946           |
| Depreciation/Amortisation  | 2,504              | 2,256            |
| Other adjustments  | 25,691             | 42,690           |
| 3. Net increase/(decrease) in operating assets                             | <b>(1,218,378)</b> | <b>(865,063)</b> |
| Trading portfolio  | -                  | 16               |
| Other financial assets at fair value with through profit or loss           | (29,267)           | (16,083)         |
| Available-for-sale financial assets  | (692,791)          | (239,115)        |
| Loans  | (475,671)          | (588,928)        |
| Other operating assets   | (20,649)           | (20,953)         |
| 4. Net increase / decrease in operating liabilities                        | <b>1,192,112</b>   | <b>851,721</b>   |
| Trading portfolio  | -                  | (16)             |
| Other financial liabilities at fair value through profit or loss           | -                  | 823,560          |
| Financial liabilities at amortized cost                                    | 1,145,826          | 28,177           |
| Other operating liabilities  | 46,286             | -                |
| 5. Corporate income tax income/(expense)                                   | -                  | -                |
|  | <b>20,805</b>      | <b>35,240</b>    |
| <b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                    |                  |
| 6. Payments made:  | <b>(4,451)</b>     | <b>(4,107)</b>   |
| Property, plant and equipment  | (4,172)            | (3,707)          |
| Intangible assets  | (279)              | (400)            |
| Shares   | -                  | -                |
| Dependent entities and other business units                                | -                  | -                |
| Non-current assets and associated liabilities available-for-sale           | -                  | -                |
| Held-to-maturity investment portfolio                                      | -                  | -                |
| Other payments related to investing activities                             | -                  | -                |
| 7. Payments received:  | <b>3,483</b>       | <b>6,042</b>     |
| Property, plant and equipment  | -                  | -                |
| Intangible assets  | -                  | -                |
| Shares   | -                  | -                |
| Dependent entities and other business units                                | -                  | -                |
| Non-current assets and associated liabilities available-for-sale           | 3,483              | 6,042            |
| Held-to-maturity investment portfolio                                      | -                  | -                |
| Other collections related to investing activities                          | -                  | -                |
|  | <b>(968)</b>       | <b>1,935</b>     |
| <b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |                    |                  |
| 8. Payments made:  | <b>(11,570)</b>    | <b>(59,095)</b>  |
| Dividends  | (2,862)            | (2,468)          |
| Subordinated debt  | -                  | -                |
| Redemption of treasury shares  | (529)              | (54,755)         |
| Purchase of treasury shares  | -                  | -                |
| Other payments related to financing activities                             | (8,179)            | (1,872)          |
| 9. Payments received:  | <b>272</b>         | <b>13,938</b>    |
| Subordinated debt  | -                  | -                |
| Issue of treasury shares   | 272                | 13,938           |
| Disposal of treasury shares  | -                  | -                |
| Other collections related to financing activities                          | -                  | -                |
|  | <b>(11,298)</b>    | <b>(45,157)</b>  |
| <b>D) EFFECT OF EXCHANGE RATE FLUCTUATIONS</b>                             | -                  | -                |
| <b>E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b> | <b>8,539</b>       | <b>(7,982)</b>   |
| <b>F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>             | <b>111,662</b>     | <b>119,644</b>   |
| <b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)</b>         | <b>120,201</b>     | <b>111,662</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                  | <b>120,201</b>     | <b>111,662</b>   |
| Cash on hand   | 23,741             | 21,782           |
| Cash equivalent balances at central banks                                  | 96,460             | 89,880           |
| Other financial assets   | -                  | -                |
| Less: Bank overdrafts repayable on demand                                  | -                  | -                |
| <b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>              | <b>120,201</b>     | <b>111,662</b>   |

(\*) Presented solely and exclusively for the purposes of comparison and re-stated (Note 1 Comparability).

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. GENERAL INFORMATION

##### a) Nature of the Parent Entity

Caja Rural de Castilla-La Mancha, Sociedad, Cooperativa de Crédito (hereinafter the Parent Entity or the Savings Bank) is a credit institution created through an agreement by the founding cooperatives on 30 May 1961. It is a not-for-profit entity with its own legal personality and full capacity to operate, with a foundation and social benefit nature. Its sole and exclusive corporate purpose is to contribute to the attainment of general interests through economic and social development in its area of influence and to do so its fundamental purposes are, among others, facilitate the creation and capitalization of savings, attend to the needs of its customers through the granting of credit transactions and to create and maintain Community Projects on its own or through collaborative agreements.

At a meeting held on 29 April 2011 the General Assembly of the Savings Bank approved a change in its name from "Caja Rural de Toledo, Sociedad Cooperativa de Crédito" to "Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito".

##### b) Activity of the Parent Entity

The typical and habitual activity carried out by the parent entity is the receipt of public funds through deposits, loans, the temporary assignment of financial or other similar assets linked to with a repayment obligation, applying them to the granting of loans, credit or other similar transactions to attend to the financial needs of its members and third parties. In this connection it may carry out all types of asset and liability transactions and authorized services for other credit institutions, preferably attending to the financial needs of its members, including insurance, which will primarily take place in the rural environment. To facilitate and guarantee the business transactions that are carried out to pursue its corporate purpose, it may enter into corporate agreements or create consortia with any legal or natural person. This area of operations includes all of Spain, notwithstanding the fact that it may carry out those transactions that are allowed outside of that area.

The Entity's domicile is located at Calle Méjico 2 in Toledo, and it carries out its activity through 353 offices distributed throughout Spain, of which 126 are branches (293 offices in 2013, of which 80 are branches), with 822 employees (797 employees in 2013).

The Parent Entity is governed by the rules established by Law 27/1999 (16 July) on Cooperatives and by Law 13/1989 (26 May) on Credit Cooperatives, and all other supplementary legal provisions.

The Parent Entity forms part of the Deposit Guarantee Fund for Credit Institutions.

The Savings Bank is classified as a "Qualified Savings Bank" which allows it to enter into collaboration agreements with official credit entities and to obtain the benefits that are established by the regulations issued by the Ministry of the Economy and the Treasury. It also forms part of the Deposit Guarantee Fund for Credit Institutions created by Royal Decree-Law 18/1982 (24 September) and it has been entered into the Registry of Cooperatives-Central Section-of the Ministry of Employment and Social Security in the Registry Book for Cooperative Companies in Volume XXI, Sheet 2051, entry 28, as well as the Registry of Credit Institutions and Bank of Spain, under number 3081.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Entity is governed by its bylaws, which were approved by the General Assembly meeting held on 30 June 1993 and all matters not covered by those bylaws are governed by Law 13/1989 and Royal Decree 84/1993 on Credit Cooperatives and all enabling regulations, notwithstanding any legal provisions that may be approved within the competencies attributed in this area by the Autonomous Regions in which it operates. It is also subject to the rules that generally regulate credit institution activities, as well as all other applicable legal provisions. On a supplementary basis it is subject to legislation governing Cooperatives.

Those Bylaws were amended in order to adapt them to the rules and principles established by Law 27/2009 (16 July) on Cooperatives as a result of a resolution adopted by the Extraordinary General Assembly of the Parent Entity held on 26 April 2002, and the amendment was approved by the Ministry of the Economy Order dated 16 October 2002.

Since the approval of the Extraordinary General Assembly held on 4 May 1989 the Savings Bank's area of operations covers all of Spain, as is stipulated by Article 5 of its Bylaws.

The Entity is subject to certain regulations that govern, among other things, aspects such as:

- Maintaining a minimum percentage of resources on deposit with the Bank of Spain to cover the minimum reserve coefficient. In January 2012 the amendment of the legislation applicable to minimum reserves entered into force such that the reserve coefficient fell from 2% to 1% of eligible liabilities in this respect (Note 6).
- Distribution of part of the net surplus for the year to the Mandatory Education and Development Reserve Fund.
- Maintenance of a minimum level of capital and reserves (Note 2.e.).
- Annual contribution to the Deposit Guarantee Fund as an additional guarantee to that provided by the Entity's capital and reserves to its creditors, whose purpose consists of guaranteeing customer deposits up to €100,000 in accordance with the provisions of Royal Decree 2606/1996 (20 December), and all subsequent amendments regarding deposit guarantee funds from Credit Institutions, in accordance with the wording of Royal Decree 948/2001 (3 August) and all subsequent amendments, and Bank of Spain Circular 4/2004 (22 December) (Note 2.f).

#### c) Consolidated group

The Parent Entity, together with its subsidiaries Castilla La Mancha Servicios Tecnológicos S.L.U., Rural Patrimonios Agrupados, S.I.C.A.V., S.A., CRCLM Mediación Operador Banca y Seguros Vinculado S.L., Viveactivos, S.A.U., Caja Rural Castilla-La Mancha, Sociedad de Gestión de Activos, S.A.U. and Rural Broker, S.L., form a consolidated group of credit institutions, Caja Rural de Castilla-La Mancha Group (hereinafter the Group).

Castilla La Mancha Servicios Tecnológicos S.L.U. primarily engages in computer services and development and is domiciled in Toledo.

Rural Patrimonios Agrupados, S.I.C.A.V., S.A. collective investment institution, makes investments in all types of financial assets and is domiciled in Toledo.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

CRCLM Mediación Operador de Banca y Seguros Vinculado S.L. primarily engages in bancassurance insurance agency activities and is domiciled in Toledo.

Viveactivos, S.A.U. and Caja Rural Castilla La-Mancha, Sociedad de Gestión de Activos, S.A.U. were incorporated by the parent entity on 5 December 2012, is domiciled in Toledo and their corporate purpose primarily consists of:

- Real estate sector activities, particularly the administration and disposal, directly or indirectly, of the assets contributed to them, specifically:
  - Land development, sub-division, etc. to encourage the sale of land.
  - Building developments for subsequent sale.

Rural Broker, S.L. is an insurance brokerage that engages in the sale of private insurance and reinsurance and it is domiciled in Toledo. The company has been registered with the Directorate General for Insurance and Pension Funds since 7 April 2014.

The most relevant information regarding the subsidiaries at 31 December 2014 and 2013 is as follows (thousand euro):

|   | Thousand euro   |                  |   |                                       |                               |         |
|---|-----------------|------------------|---|---------------------------------------|-------------------------------|---------|
|   | Total<br>assets | Share<br>capital | Profit and<br>loss<br>account<br>brought<br>forward | Other<br>shareholder<br>contributions | Profit/(Loss)<br>for the year | Auditor |
| <b>2014</b>   |                 |                  |   |                                       |                               |         |
| Castilla La Mancha Servicios Tecnológicos S.L.U.                      | 5,276           | 1,442            | (412)   | -                                     | 443                           | PwC     |
| Rural Patrimonios Agrupados, S.I.C.A.V., S.A.                         | 4,115           | 4,865            | (785)   | -                                     | 17                            | PwC     |
| CRCLM Mediación Operador de Banca y Seguros Vinculado S.L.            | 12,093          | 6,000            | 418   | -                                     | 10                            | PwC     |
| Viveactivos, S.A.U.   | 11,426          | 700              | (1,424)   | 14,203                                | (2,081)                       | PwC     |
| Caja Rural Castilla La-Mancha, Sociedad de Gestión de Activos, S.A.U. | 2,737           | 800              | (297)   | 3,150                                 | (962)                         | PwC     |
| Rural Bróker, S.L.  | 470             | 500              | (2)   | -                                     | (60)                          | PwC     |
| <b>2013</b>   |                 |                  |   |                                       |                               |         |
| Castilla La Mancha Servicios Tecnológicos S.L.U.                      | 4,587           | 1,442            | (712)   | -                                     | 300                           | PwC     |
| Rural Patrimonios Agrupados, S.I.C.A.V., S.A.                         | 4,087           | 4,865            | (861)   | -                                     | 76                            | PwC     |
| CRCLM Mediación Operador de Banca y Seguros Vinculado S.L.            | 12,463          | 6,000            | 319   | -                                     | 99                            | PwC     |
| Viveactivos, S.A.U.   | 10,066          | 700              | (4)   | 10,734                                | (1,420)                       | PwC     |
| Caja Rural Castilla La-Mancha, Sociedad de Gestión de Activos, S.A.U. | 3,435           | 800              | (3)   | 2,838                                 | (294)                         | PwC     |

At 31 December 2014 y 2013, Caja Rural de Castilla-La Mancha wholly owns the company Castilla la Mancha Servicios Tecnológicos, S.L.U.

## **CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

### **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

At 31 December 2014 and 2013, Caja Rural de Castilla-La Mancha holds a direct 50.51% stake in Rural Patrimonios Agrupados, S.I.C.A.V., S.A. and it was fully consolidated since as is indicated in Note 3.h), the parent entity has the capacity to exercise control and it is exposed to, or it is entitled to, variable returns from its interest in the investee companies and it has the capacity to use its power over the company to influence those returns.

Caja Rural de Castilla-La Mancha wholly owns CRCLM Mediación Operador Banca y Seguros Vinculado S.L. at 31 December 2014 and 2013 and it is fully consolidated.

Caja Rural de Castilla-La Mancha wholly owns Viveactivos, S.A.U. at 31 December 2014 and 2013 and it is fully consolidated.

Caja Rural de Castilla-La Mancha directly wholly owns Caja Rural Castilla La-Mancha, Sociedad de Gestión de Activos, S.A.U. at 31 December 2014 and 2013 and it is fully consolidated.

At 31 December 2014 Caja Rural de Castilla-La Mancha wholly owns Rural Broker, S.L. and it is fully consolidated.

All significant balances and transactions between the group companies have been eliminated in the consolidation process.

These consolidated annual accounts have been prepared by the Parent Entity's Governing Council at the meeting held on 24 February 2015 and have been signed by the Directors.. They have yet to be approved by the General Assembly but the Directors of the Parent Entity believe that they will be approved without any change being made.

#### **Purchase of certain assets and liabilities from Barclays Bank, S.A.U.**

On 13 September 2013 a purchase agreement was concluded by the Entity with Barclays Bank SAU regarding certain assets and liabilities pertaining to a network of 14 branches of Barclays that consisted of two transfers:

- The first transfer involved mortgages, other loans and the fixed assets at the bank branches acquired. That transfer took effect on 1 November 2013.
- The second transfer concerned the Entity acquiring the assets relating to credit cards and overdrafts as well as all of the liabilities pertaining to the aforementioned branch offices (mainly on-demand and term deposits). This transfer took place on 19 December 2013.



**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

Details of the acquired assets and liabilities as well as their measurement at 19 December 2013 are as follows (thousand euro):

|                          | <b>Balance in<br/>balance sheet</b> | <b>Accrued<br/>interest</b> | <b>Provisions</b> | <b>Totals</b>  |
|--------------------------|-------------------------------------|-----------------------------|-------------------|----------------|
| Mortgages                | 183,345                             | 94                          | (2,005)           | 181,434        |
| Other loans              | 13,190                              | 49                          | (400)             | 12,839         |
| Credit cards             | 456                                 | -                           | (10)              | 446            |
| Overdrafts               | 46                                  | -                           | -                 | 46             |
| <i>Asset Products</i>    | <i>197,037</i>                      | <i>143</i>                  | <i>(2,415)</i>    | <i>194,765</i> |
| Equity                   | 904                                 | -                           | -                 | 904            |
| <b>Total assets</b>      | <b>197,941</b>                      | <b>143</b>                  | <b>(2,415)</b>    | <b>195,669</b> |
| On-demand                | 28,533                              | 2                           | -                 | 28,535         |
| Term                     | 21,480                              | 33                          | -                 | 21,513         |
| <b>Total liabilities</b> | <b>50,013</b>                       | <b>35</b>                   | <b>-</b>          | <b>50,048</b>  |
| <b>Cash paid out</b>     |                                     |                             |                   | <b>145,621</b> |

This purchase was recognized in the accounts by assigning the transfer price to assets, liabilities and specific contingent liabilities. The calculation of the fair value of the loan portfolio was carried out by applying certain estimated expected loss percentages in accordance with market standards to the portfolio, basically determined in accordance with the characteristics of the financing granted and existing collateral.

This analysis resulted in an estimation of the need to make additional provisions totalling €2,095 thousand for the loan portfolio in order to adjust it to its estimated fair value. The heading "Other provisions" recognizes €2,920 thousand relating to legal expenses to which the Entity is liable with respect to the aforementioned transaction.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 2014

On 30 May 2014 a purchase agreement was concluded by the Entity with Barclays Bank SAU regarding certain assets and liabilities pertaining to a network of 14 branches of Barclays that consisted of two transfers:

- The first transfer involved mortgages, other loans and the fixed assets at the bank branches acquired. That transfer took effect on 30 June 2014.
- The second transfer concerned the Entity acquiring the assets relating to credit cards and overdrafts as well as all of the liabilities pertaining to the aforementioned branch offices (mainly on-demand and term deposits). This transfer took place on 1 September 2014.

Details of the acquired assets and liabilities as well as their measurement at 14 November 2014 are as follows:

|                          | Thousand euro               |                     |                                  |                |
|--------------------------|-----------------------------|---------------------|----------------------------------|----------------|
|                          | Balance in<br>balance sheet | Accrued<br>interest | Provisions<br>and<br>adjustments | Totals         |
| Mortgages                | 318,693                     | 141                 | (2,785)                          | 316,049        |
| Other loans              | 9,885                       | 34                  | (308)                            | 9,611          |
| Credit cards             | 557                         | -                   | (26)                             | 531            |
| Overdrafts               | 66                          | -                   | -                                | 66             |
| <i>Asset Products</i>    | <i>329,201</i>              | <i>175</i>          | <i>(3,119)</i>                   | <i>326,257</i> |
| Equity                   | 814                         | -                   | -                                | 814            |
| <b>Total assets</b>      | <b>330,015</b>              | <b>175</b>          | <b>(3,119)</b>                   | <b>327,071</b> |
| On-demand                | 59,933                      | -                   | -                                | 59,933         |
| Term                     | 15,165                      | 34                  | -                                | 15,199         |
| <b>Total liabilities</b> | <b>75,098</b>               | <b>34</b>           | <b>-</b>                         | <b>75,132</b>  |
| <b>Total Others</b>      |                             |                     | <b>(2,361)</b>                   | <b>(2,361)</b> |
| <b>Cash paid out</b>     |                             |                     |                                  | <b>249,578</b> |

This purchase was recognized in the accounts by assigning the transfer price to assets, liabilities and specific contingent liabilities. The calculation of the fair value of the loan portfolio was carried out by applying certain estimated expected loss percentages in accordance with market standards to the portfolio, basically determined in accordance with the characteristics of the financing granted and existing collateral.

This analysis resulted in an estimation of the need to make additional provisions totalling €2,781 thousand for the loan portfolio in order to adjust it to its estimated fair value.

#### **Purchase of certain assets and liabilities from Banco Caixa Geral, S.A.**

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

On to April 2014 a purchase agreement was concluded by the Entity with Banco Caixa Geral, S.A. regarding certain assets and liabilities pertaining to a network of 4 branches of Banco Caixa Geral, S.A. that consisted of a single transfer: Details of the acquired assets and liabilities as well as their measurement at 18 July 2014 are as follows:

|                          | Thousand euro               |                     |                                  |               |
|--------------------------|-----------------------------|---------------------|----------------------------------|---------------|
|                          | Balance in<br>balance sheet | Accrued<br>interest | Provisions<br>and<br>adjustments | Totals        |
| Mortgages                | 79,608                      | 14                  | (827)                            | 78,795        |
| Other loans              | 1,163                       | -                   | (25)                             | 1,138         |
| Credit cards             | 92                          | -                   | (3)                              | 89            |
| Overdrafts               | 11                          | -                   | -                                | 11            |
| <i>Asset Products</i>    | <i>80,874</i>               | <i>14</i>           | <i>(855)</i>                     | <i>80,033</i> |
| Equity                   | 107                         | -                   | -                                | 107           |
| <b>Total assets</b>      | <b>80,981</b>               | <b>14</b>           | <b>(855)</b>                     | <b>80,140</b> |
| On-demand                | 5,490                       | -                   | -                                | 5,490         |
| Term                     | 8,458                       | 80                  | -                                | 8,538         |
| <b>Total liabilities</b> | <b>13,948</b>               | <b>80</b>           | <b>-</b>                         | <b>14,028</b> |
| <b>Total Others</b>      |                             |                     | <b>(700)</b>                     | <b>(700)</b>  |
| <b>Cash paid out</b>     |                             |                     |                                  | <b>65,412</b> |

This purchase was recognized in the accounts by assigning the transfer price to assets, liabilities and specific contingent liabilities. The calculation of the fair value of the loan portfolio was carried out by applying certain estimated expected loss percentages in accordance with market standards to the portfolio, basically determined in accordance with the characteristics of the financing granted and existing collateral.

This analysis resulted in an estimation of the need to make additional provisions totalling €550 thousand for the loan portfolio in order to adjust it to its estimated fair value.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 2. BASIS OF PRESENTATION AND OTHER INFORMATION

##### a) Basis of presentation of the consolidated annual accounts

On 1 January 2005 the obligation to prepare Consolidated Annual Accounts in accordance with International Financial Reporting Standards adopted by the European Union (hereinafter IFRS) entered into force for those entities that have issued securities and are listed on a regulated market in any Member State of the European Union at the date on which their balance sheet was closed, in accordance with the provisions of European Parliament Regulation 1606/2002 (19 July).

Since 2009 the Group prepares its consolidated annual accounts in accordance with IFRS.

The Group's consolidated annual accounts for 2014 have therefore been prepared based on the accounting records maintained by the entities making up the Group in accordance with IFRS, taking into consideration Bank of Spain Circular 4/2004 and all subsequent amendments such that they present a true and fair view of the Group's equity, financial situation and consolidated results at 31 December 2014, as well as changes in equity and cash flows during the year then ended. Circular 4/2004 and its amendments required the development and adaptation of the Spanish credit institution sector to IFRS-EU. The measurement principles and standards applied are listed in Note 3 of these notes to the consolidated annual accounts. No mandatory accounting principle or standard that has a significant effect on the consolidated annual accounts has been omitted.

Since the approval of Circular 4/2004 there have been amendments to both Spanish law as well as the International Financial Reporting Standards that affect accounting legislation. As a result, the Bank of Spain has considered it necessary to amend Circular 4/2004 and has introduced successive amendments to that document as a result of changes affecting the International Financial Reporting Standards, the reporting requirements of the European Central Bank, information referring to the mortgage market, exposure to the construction and real estate development sectors and the national classification of economic activities (CNAE), as well as amendments to the standards for reporting public and reserved financial information and financial statement models.

The Directors of the Parent Entity present, for the purposes of comparison, the figures for the preceding year in addition to the 2014 figures broken down in these annual accounts.

These consolidated annual accounts have therefore been prepared in accordance with IFRS and do not present any significant deviations with respect to the requirements of Bank of Spain Circular 4/2004 and subsequent amendments.

##### b) Use of judgments and estimates when preparing the financial statements

The information included in the consolidated annual accounts is the responsibility of the Directors of Caja Rural de Castilla-La Mancha, Cooperativa de Crédito (Parent Entity). When preparing certain information included in these consolidated annual accounts the Directors have used judgments and estimates based on assumptions that affect the application of accounting policies and standards and the amounts of the assets, liabilities, income, expenses and commitments recognized therein.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The most significant estimates used to prepare these consolidated annual accounts refer to:

- Impairment losses on financial assets (Note 3.i)
- The assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits (Note 3.p).
- Impairment losses and the useful life of property, plant and equipment and intangible assets (Notes 3.l and 3.m).
- The fair value of certain financial assets not listed on official secondary markets (Note 9).
- The reversal period for timing differences (Note 25).
- Losses on future obligations deriving from contingent risks (Note 10.3).
- The fair value of certain guarantees covering the collection of assets.

The estimates and assumptions used are based on past experience and other factors that have been considered to be most reasonable at the present time and they are reviewed on a regular basis. If as a result of these reviews or future events there is any change in those estimates, the effect would be recognized in the income statement for that period and successive periods.

#### c) Changes in accounting policies and error corrections

##### Changes in accounting policies

Changes in accounting policies, either because they amend an accounting regulation that governs a certain transaction or event or because the Governing Council decides to change the accounting policy for justified reasons, are applied retroactively unless:

- It is impractical to determine the effect in each specific year deriving from a change in an accounting policy regarding comparative information from a preceding year, in which case the new accounting policy is applied at the start of the oldest year so that retroactive application becomes practicable. When it is impractical to determine the accumulated effect, at the start of the current year, deriving from the application of a new accounting policy to all preceding years the new accounting policy is applied on a prospective basis as from the oldest date on which it is practical to do so or,
- The accounting rule or regulation changes or establishes the application date.

The information relating to 2013 has been restated for the purposes of comparison as a result of the retroactive application of the change in the accounting policy referring to the recognition of the contributions made to Deposit Guarantee Fund for Credit Institutions.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The most significant change in accounting policies caused by the interpretation IFRIC 21 relates to the ordinary and extraordinary contributions to the Deposit Guarantee Fund, which are described in Note 2.f:

The expense arising from ordinary contributions accrues as the Entity renders its services to customers, such that at the end of the year the balance sheet recognizes the liability for the contribution which is paid in during the first month of the subsequent year. The preceding accounting policy meant that the expense for the contribution was recognized in the year in which it was paid.

The expense relating to the extraordinary contribution resulting from Royal Decree-Law 6/2013 accrued at the time at which that Royal Decree-Law entered into force (24 March 2013), since it involved a contribution that did not depend on the Entity's future activity and had to be recognized in full at that date, regardless of the payment date. The preceding accounting policy meant that the expense for the contribution was recognized as it was paid in.

However, the Interpretation does not give rise to any changes in the accounting treatment applied to the extraordinary payment approved by the Deposit Guarantee Fund Management Committee on 30 July 2012, since the amounts payable for this extra contribution are deducted from the ordinary annual contribution and therefore its accrual for accounting purposes takes place at the same time as that ordinary contribution.

The following table shows the effect of the retroactive application of the Interpretation on each of the affected headings in the consolidated balance sheet at 31 December 2013 and the consolidated income statement for 2013:

|   | <u>Thousand euro</u>   |   |
|---|--|---|
|   | <u>2013</u>  |   |
|   | <u>Consolidated<br/>balance<br/>sheet at 31<br/>December</u> | <u>Consolidated<br/>income<br/>statement for<br/>the year</u> |
| Financial liabilities at amortised cost | (8,752)  |   |
| Deferred tax assets                     | 1,163  |   |
| Reserves                                | 4,705  |   |
| Profit for the year                     | <u>(2,884)</u>   |   |
| Other operating charges                 |  | (3,326)   |
| Corporate income tax                    |  | 442   |
| Profit for the year                     |  | <u>(2,884)</u>  |

Appendix II of these consolidated annual accounts contains details of the effect arising on the change in the accounting policy in 2012, as indicated by current legislation.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Standards and interpretations issued by the International Accounting Standards Board (hereinafter IASB) that entered into force in 2014

In 2014 the following amendments to International Financial Reporting Standards (hereinafter IFRS) or interpretations (hereinafter IFRIC) have entered into force and whose adoption by the Group has not had a significant impact on these consolidated annual accounts:

| Standards and amendments                                   | Mandatory application in 2014   |
|--|---|
| IAS 36 (Revised)   | Disclosures regarding the unrecoverable amount of non-financial assets. |
| IAS 39 (Revised)   | Novation of derivatives and continuation of hedge accounting            |
| IFRS 10 (2)  | Consolidated financial statements                                       |
| IFRS 11 (2)  | Joint arrangements  |
| IFRS 12 (2)  | Disclosure of interests in other entities                               |
| IAS 27 (Revised)   | Separate financial statements   |
| IAS 28 (Revised)   | Investments in associates and joint ventures                            |
| IFRS 10 (Revised), IFRS 11 (Revised) and IFRS 27 (Revised) | Investment entities   |
| IFRS 32 (Revised)  | Presentation of financial instruments                                   |
| IFRIC 21   | Levies  |

Standards, amendments and interpretations of existing standards not in force

At 31 December 2014 the following standards and interpretations that could be applicable to the Group were published by the IASB and/or the IFRS Interpretations Committee but which have not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they have not yet been approved by the European Union, are the following:

The Group has evaluated the impact that will derive from these issues and has decided not to apply them early, where possible, given that the impact is immaterial.

| Standards and amendments            | Description of the standard  | Mandatory application |
|-------------------------------------|--|-----------------------|
| IFRIC 21                            | Levies   | 2015                  |
| IFRS annual improvements            | Cycle 2011-2013:   | 2015                  |
| IFRS annual improvements            | Cycle 2010-2012:   | 2016                  |
| Amendment to IAS 19                 | Defined benefit plans: Contributions from employees                                      | 2016                  |
| IFRS 14                             | Regulatory deferral accounts   | -                     |
| Amendment to IFRS 11                | Recognition of purchases of shares in joint ventures                                     | -                     |
| Amendment to IAS 16 and IAS 38      | Clarification of acceptable depreciation and amortization methods                        | -                     |
| IFRS 15                             | Ordinary income from contracts with customers  | -                     |
| Amendment to IAS 16 and IAS 41      | Agriculture: Fruit-bearing plants  | -                     |
| IFRS 9                              | Financial instruments  | -                     |
| Amendment to IAS 27                 | Equity method in separate financial statements   | -                     |
| Amendment to IFRS 10 and IAS 28     | Sale or contribution of assets between an investor and its associates or joint ventures. | -                     |
| IFRS annual improvements            | Improvement project, Cycle 2012 - 2014   | -                     |
| Amendment to IAS 1                  | Presentation of financial statements   | -                     |
| Amendment to IFRS 10, 12 and IAS 28 | Investment entities: applying the exception to consolidation                             | -                     |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### Accounting errors

Errors in the preparation of prior-year annual accounts are the result of omissions or inaccuracies resulting from the failure to employ or use reliable information that was available when the annual accounts for those periods were prepared and the Entity should have used when preparing those statements.

Errors relating to prior years are corrected retroactively in the first annual accounts that are prepared after discovery, as if the error had never taken place:

- Re-expressing the amounts of the various financial statements affected by the error, including the notes to the consolidated financial statements that are published in the annual accounts for the purposes of comparison, which relate to that year and prior years, if applicable.
- Re-expressing the opening balance for the oldest year for which information is presented if the error took place before the first financial statements that are presented for the purposes of comparison.

When it is impractical to determine the effects arising in each specific year from an error involving comparative information from a preceding year, the opening balances for the oldest years are re-expressed, where possible. In the event that it is not practical to determine the accumulated effect, at the start of the current year, of an error involving all prior years, the comparative information is re-expressed correcting the error on a prospective basis as from the earliest date possible.

Errors from prior years that affect equity are corrected in the year discovered using the relevant equity account. Under no circumstances are errors from prior years corrected through the income statement for the year in which they are discovered, unless they have no relative importance or it is impractical to determine the effect of the error based on the provisions of the preceding paragraph.

In 2014 and 2013 no significant error corrections relating to prior years were carried out.

#### d) Changes in accounting estimates

A change in an accounting estimate is an adjustment to the carrying value of an asset or liability, or the regular consumption of assets, arising after an evaluation of the current situation faced by the item concerned, as well as future expected benefits and the obligations associated with the assets and liabilities concerned.

Changes in accounting estimates are the result of obtaining additional information or knowledge about new events and therefore are not error corrections. These changes are recorded on a prospective basis in the income statement for the year and in future years affected by the change.

In accordance with Rule 6.b.2) of Bank of Spain Circular 4/2004, the residual value and useful life of assets will be reviewed at least at the end of year. In the event of any changes to the estimates of those values, the changes will be made on a prospective basis (Notes 3.l and 3.m).



## **CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

### **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

On 4 February 2012, Royal Decree - Law 2/2012 (3 February) was published, which covers financial sector write-downs and is intended to improve the confidence, credibility and strength of the sector, facilitating a return to the financing of economic growth and the creation of employment. The aforementioned Royal Decree - Law established new requirements for additional provisions and capital, exclusively for the purpose of covering the impairment of the assets associated with the real estate activity, which included both financing and adjudicated or received as payment of debt relating to the real estate sector.

On 29 February 2012, Bank of Spain Circular 2/2012 amended certain aspects of Bank of Spain Circular 4/2004 in order to adapt it to the provisions established by Royal Decree-Law 2/2012 (3 February).

Furthermore, on 12 May 2012 Royal Decree-Law 18/2012, (11 May), on the write-down and sale of real estate assets in the financial sector, and as was the case with Royal Decree-Law 2/2012 (3 February), it pursued the dissipation of the uncertainties that were making the normalisation of the Spanish financial sector and the recovery of its function of channelling savings to the real economy difficult. In this connection, hedge requirements in addition to those included in the legislation were established due to the impairment of the financing associated with the real estate activity classified as in a normal situation. In accordance with the provisions of the aforementioned Royal Decree-Law, the method used respects the policies established by international accounting standards.

Bank of Spain Circular 6/2002 (28 September) amended Appendix IX of Bank of Spain Circular 4/2004 to adapt it to Royal Decree-Law 18/2012 (11 May).

The Parent entity complied with the provisions of the aforementioned Royal Decrees and Bank of Spain Circulars 2/2012 and 6/2012 before 31 December 2012. The allocations recognized in the year in the income statement in order to comply with the aforementioned requirements relating to the impairment of loan investments and foreclosed assets totalled €17,510 thousand and €2333 thousand, respectively. The indicated impairment losses were of an extraordinary nature and non-recurring and gave rise to the recognition of significant write-downs for these types of assets in a single year.

Furthermore, Royal Decree-Law 18/2012 (11 May) stipulated that foreclosed assets or those received in lieu of payment as referred to by Article 1.1 of Royal Decree-Law 2/2012 (3 February), must be contributed by credit institutions to a public limited liability company. Similarly, those other foreclosed assets or assets received in lieu of payment must have been contributed after 31 December 2011. In general, the contributions to the company were measured at fair value and had to be made at 31 December 2012. In the absence of a fair value or when it is difficult to obtain this value, they were recognized at their carrying value, which was calculated taking into consideration the provisions created for the assets in accordance with Article 1.1. of Royal Decree-Law 2/2012 (3 February) and Article 1.1 of Royal Decree-Law 18/2012 (11 May). In the event that at the time they are contributed to the Company the assets have not been covered by the provisions mentioned in the preceding paragraph, the provisions must be created by the company benefiting from the contribution by the dates required in accordance with both Royal Decree-Laws.

## **CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

### **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

For the purposes of the provisions of Article 67 of the Spanish Companies Act 2010, the measurement established in accordance with the preceding paragraphs replaced the measurement carried out by an independent expert called for by that legislation, provided that the contribution took place within the provision schedule to which the contributing entity is bound.

In compliance with the provisions of Royal Decree-Law 18/2012 (11 May) is, on 5 December 2012 the Entity created the companies Viveactivos, S.A.U. and Caja Rural de Castilla-La Mancha, Sociedad de Gestión de Activos, S.A.U., to which it transferred all foreclosed assets or assets received in lieu of payment as referred to by Article 1.1 of Royal Decree-Law 18/2012 (11 May). In December 2013 the assets foreclosed during 2013 were transferred.

The tax system established in Title VII, Chapter VIII of Legislative Royal Decree 4/2004 (5 March), which approved the Corporate Income Tax Act, for the transactions mentioned in Article 83 of that Law, including the effect on other taxes, will be applied to the transfers of real estate assets pertaining to the financial sector even if they do not relate to the transactions mentioned in Article 83 and 94 of that Law.

Article 10R 8/2012 (30 October 2012), on the write-down and sale of real estate assets in the financial sector stipulated with respect to the coverage established by the aforementioned Royal Decree that if at 31 December 2013 the amount of the required coverage has not been fully applied to the indicated purpose the remaining balance would be assigned to cover the assets determined by the Bank of Spain. On 5 February 2014 Bank of Spain Circular 1/2010 (31 January) was published and established the assets to which the remaining balances of the coverage for the financing relating to real estate construction and development consisting of risks classified as normal 31 December 2011 will be assigned, when located in Spain and when not subsequently applied as a result of the reclassification to doubtful, sub-prime or foreclosed assets or assets received in lieu of payment. The general fund created in accordance with Royal Decree-Law 2/2012 and Royal Decree-Law 18/2012, which was pending application at 31 December 2013, was reassigned based on the risk analysis performed by the Entity in this respect.

As is mentioned in Note 5.a), during 2013 the Parent Entity performed a review of the adequate classification of refinancing and/or restructuring operations, as well as an estimate of the provisions created for these transactions. The effect of that re-estimate gave rise to the recognition of an increase in provisions totalling €6,386 thousand in 2013.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### e) Minimum capital and reserves

On 1 January 2014 the new legislative framework regulating minimum capital and reserves for credit institutions both individually and as consolidated groups entered into force and stipulates how this capital is measured. This includes the processes to be followed for the self-assessment of capital and the information to be made public. This legislative framework consists of:

European Parliament and Council Directive 2013/36/EU (generally known as CRD-IV), of 26 June, relating to access to the credit institution business and the prudential supervision of credit institutions and investment companies, which amends Directive 2002/87/EC and repeals Directives 2006/48/EC and 2006/49/EC.

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

As a Spanish credit institution, the Group is subject to the CRD-IV Directive, through which the European Union has implemented the capital standards set out in the Basel III Accord issued by the Basel Committee on Banking Supervision (BCBS) using a phase-in model up until 1 January 2019. The CRD-IV Directive has been partially implemented in Spain through (i) Royal Decree-Law 14/2013 (29 November) on urgent measures to adapt Spanish legislation to European Union regulations governing the supervision and solvency of financial institutions, and (ii) Law 10/2014 (26 June), on the organisation, supervision and solvency of credit institutions.

The CRR Regulation, which is immediately applicable to Spanish credit institutions, implements the requirements established by the CRD-IV Directive and allows the competent national authorities to make use of certain options. By virtue of the authorization provided by Royal Decree-Law 14/2013 the Bank of Spain published Circulars 2/2014 and 3/2014 on 31 January and 30 July, respectively, through which it made use of some of the regulatory permanent options established by the CRR Regulation, including the rules applicable to the transitional capital requirements and deduction treatment systems.

In accordance with the requirements established in the CRR Regulation credit institutions must meet a total capital ratio of is percent at all times. However, it should be noted that the regulators may exercise their authority under the new legislative framework and require entities to maintain additional levels of capital.

In accordance with the aforementioned new legislative framework, starting on 1 January 2014 the provisions of Bank of Spain Circular 3/2008 that go against the European legislation mentioned above were repealed.

Capital resources are classified into categories based on their capacity to absorb losses, their degree of permanence or their degree of subordination. The categories of capital, from higher to lower permanence, capacity to absorb losses and subordination are common equity and other top tier capital instruments, the sum of which represent Tier 1 capital and capital instruments in the second category (Tier 2 capital). The total capital base is obtained as the sum of tier 1 and tier 2 capital.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014 and 2013, the Group's eligible capital was as follows:

|  | Thousand euro           |                         |
|--|-------------------------|-------------------------|
|  | 2014                    | 2013 (*)                |
| Basic capital  |                         |                         |
| Share capital  | 50,594                  | 50,321                  |
| Eligible reserves  | 244,123                 | 243,386                 |
| Reserves   | 233,741                 | 237,748                 |
| Eligible profit for the year   | -                       | 3,657                   |
| Revaluation reserves   | 10,903                  | -                       |
| Measurement adjustments  | (521)                   | 1,981                   |
| Retained earnings  | 15,850                  | -                       |
| Other retained profits   | 67,519                  | -                       |
| Minority shareholdings recognized in ordinary Tier 1 capital                   | 2,019                   | -                       |
| Other intangible assets  | (1,081)                 | -                       |
| Excess items deducted from additional Tier 1 capital                           | (865)                   | -                       |
| Other transitional adjustments to ordinary tier 1 capital                      | (66,655)                | -                       |
| Additional deductions from ordinary Tier 1 capital due to Article 3 of the CRR | (2,463)                 | -                       |
| Other deductions (-)   | -                       | (4,062)                 |
|  | <u>309,041</u>          | <u>289,645</u>          |
| Second tier equity   |                         |                         |
| Revaluation reserves   | -                       | 10,903                  |
| Supplementary coverage for insolvency risks                                    | 22,813                  | 23,448                  |
| Corrections due to measurement adjustments                                     | -                       | 108                     |
|  | <u>22,813</u>           | <u>34,459</u>           |
| Deductions from basic equity and from second tier (-)                          | -                       | (405)                   |
| <b>Total Group eligible capital and reserves</b>                               | <b><u>331,854</u></b>   | <b><u>323,699</u></b>   |
| <b>Total required minimum capital and reserves</b>                             | <b><u>202,461</u></b>   | <b><u>184,703</u></b>   |
| <b>Risk weighted assets</b>  | <b><u>2,530,765</u></b> | <b><u>1,997,668</u></b> |

In 2013 deductions were applied to basic and second tier capital in accordance with the provisions of Rule Nine of the aforementioned Circular due to the 13.54% interest in the share capital of Aval Castilla-La Mancha, S.G.R. (Note 9.2).

At 31 December 2014 and 2013 the most significant data relating to the Group's minimum capital are as follows:

|                            | 2014                 | 2013 (*)             |
|----------------------------|----------------------|----------------------|
| Tier-one capital ratio     | 12.21%               | 12.55%               |
| Tier-two capital ratio     | 0.90%                | 1.47%                |
| <b>Total capital ratio</b> | <b><u>13.11%</u></b> | <b><u>14.02%</u></b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014 and 2013, the Group's eligible capital exceeds the minimum requirements laid down by the aforementioned law on each of these dates.

At 31 December 2013 the Parent Entity had primary capital totalling 12.71%, calculated in accordance with the aforementioned legislation and this amount exceeds the applicable minimum (9%).

(\*) For the purposes of presenting the Group and Entity's eligible capital and the total capital ratios, the figures for 2013 have not been restated as a result of the change in the accounting policies described in Note 2.c. The effect of restating the 2013 figures would reduce the Group and the Entity's total capital ratio to 13.69%.

#### f) Deposit Guarantee Fund

The Entity is a member of the Deposit Guarantee Fund.

Royal Decree-Law 19/2011 amended Royal Decree 16/2011 and established that the amount of the contributions by Entities to the Deposit Guarantee Fund for Credit Institutions would increase from 1 per thousand to 2 per thousand of the calculation base.

The expense arising from ordinary contributions referred to in the preceding paragraph accrues as the Entity renders its services to customers, such that at the end of the year the balance sheet recognizes the liability for the contribution which is paid in during the second month of the subsequent year.

On 30 July 2012 the Deposit Guarantee Fund Management Committee adopted a resolution to apply an extraordinary charge to member entities, payable by each entity in 10 equal annual instalments. The amount of the extraordinary payment for the Entity total €6,533 thousand (ten annual instalments of €653 thousand each). These instalments will be deducted from the annual ordinary contribution that the entity pays, if appropriate, and up to the amount of the ordinary contribution. The present value of the amount pending payment is recognized under the heading Other financial assets in "Loan Investments-Customer Loans" in the balance sheet (€4,701 thousand at 31 December 2014 and €5,214 thousand at 31 December 2013) and under "Other financial liabilities" (€4,701 thousand at 31 December 2014 and €5,214 thousand at 31 December 2013).

In order to reinforce the funding of the Deposit Guarantee Fund for Credit Institutions, Royal Decree-Law 6/2013 established that the annual contribution stipulated by Article 3 of Royal Decree 2606/1996 (20 December) on Deposit Guarantee Funds for Credit Institutions to be made by member entities based on deposits at 31 December 2012 would increase one time on an exceptional basis by an additional 3 per thousand.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

This increase was effectively paid in two tranches:

a) The first tranche equivalent to two-fifths of the total, payable within 20 business days of 31 December 2013. That tranche was reduced as a result of the deductions established by regulations to the amount of €1,628 thousand, which was recognized as an expense in the 2013 income statement.

b) The second tranche equivalent to three-fifths of the remaining amount totalling €4,883 thousand, payable starting on 1 January 2014 in accordance with the payment schedule established by the Management Committee. In accordance with the matters indicated in Note 2c, this expense was considered to have accrued at the time at which the aforementioned Royal Decree-Law entered into force (24 March 2013), since it involved a contribution that did not depend on the Entity's future activity and had to be recognized in full at that date, regardless of the payment date.

In 2014, the expense incurred by the Entity in respect of all contributions to this Fund totalled €7,324 thousand (€7,403 thousand in 2013) and is recognized in the heading "Other operating charges" in the accompanying consolidated income statement (Note 29).

g) Business segment reporting

The activity carried out by the Group's parent entity is essentially Retail Banking and there are no other major business lines that require an analysis and detailed report on their operations, as if each one of them were a self-standing business with its own separate own resources.

Along the same lines, no geographical differences have been found in the area where the Entity operates (Toledo and the rest of Spain) which justify a segmented, differentiated report on activity on this basis.

### 3. ACCOUNTING PRINCIPLES AND STANDARDS APPLIED

The most important accounting principles and standards that were applied when preparing these annual accounts are summarized below and they meet the provisions of Bank of Spain regulations:

a) Going-concern principle

The information contained in these annual accounts has been prepared taking into consideration that the Group will continue to operate in the future and therefore the accounting standards have not been applied with the objective of determining the value of equity for the purposes of its universal or partial transfer, or for a hypothetical liquidation.

b) Accruals principle

These annual accounts, except with respect to the cash flow statement, have been prepared on the basis of the actual flow of goods and services, irrespective of the date of payment or collection.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

c) Offset of balances

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

d) Transactions denominated in foreign currency

The functional and presentation currency in these annual accounts is the euro, and any other currency is considered to be a foreign currency.

On initial recognition receivables and payables in foreign currency have been converted to euro using the spot exchange rate. After that time the following rules are applied to convert balances denominated in foreign currency to euro:

- Assets and liabilities of a monetary nature are converted to euro using the average official spot exchange rates published by the European Central Bank at the end of each year.
- Non-monetary items measured at historic cost are converted at the exchange rate on the date of acquisition.
- Non-monetary items measured at fair value are converted at the exchange rate on the date on which fair value is determined.
- Income and expenses are converted using the exchange rate in force on the date of the transaction.
- Depreciation/amortisation is converted at the exchange rate applied to the asset concerned.

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

At the end of 2014 the total assets expressed in foreign currency amount to €11,042 thousand (€402 thousand at 31 December 2013) and the total amount of liabilities expressed in foreign currency at the end of that year is €983 thousand (€312 thousand at 31 December 2013).

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The breakdown of the assets and liabilities expressed in foreign currency, classified by heading at 31 December 2014 and 2013, is as follows:

|                                    | <b>Thousand euro</b> |             |
|------------------------------------|----------------------|-------------|
|                                    | <b>2014</b>          | <b>2013</b> |
| Cash and deposits at central banks | 122                  | 90          |
| Bank deposits                      | 983                  | 312         |
| Other equity instruments           | 9,936                | 2,094       |
| <b>Total Assets</b>                | <b>11,042</b>        | <b>402</b>  |
| Customer deposits                  | 983                  | 312         |
| <b>Total Liabilities</b>           | <b>983</b>           | <b>312</b>  |

#### e) Recognition of income and expenses

As a general policy, income is recognized at the fair value of the consideration received or that will be received, less any discounts, credits or commercial reductions. When the entry of cash is deferred over time, the fair value is determined by discounting future cash flows.

Recognizing any income in the income statement or under equity is subject to compliance with the following premises:

- The amount may be reliably estimated.
- It is likely that the entity will receive the financial benefits.
- The information may be verified.

When there are doubts regarding the collection of an amount previously recognized under income, the amount that is no longer likely to be collected is recognized as an expense and not as a reduction in income.

All those debt instruments that are classified individually as impaired by the Entity, as well as those for which the impairment losses have been calculated collectively as the amounts have been outstanding for more than three months, no longer accrue interest.

Interest and dividends are recorded in the income statement based on the following criteria.

- The effective interest rate method is used to recognize interest in the income statement.
- Dividends are recognized when the right of shareholders to receive payment required.

Notwithstanding the above, interest and dividends accrued before the date on which the instrument was acquired and not yet collected do not form part of the acquisition cost and are not recognized as income.

#### f) Financial instruments

A "financial instrument" is a contract that gives rise to a financial asset at one entity and a financial liability or capital instrument at another.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The financial instruments issued by the Group and their components are classified as financial liabilities or equity instruments on the date of initial recognition, in accordance with their financial substance when it does not coincide with their legal form.

Financial instruments are initially recognized in the balance sheet only when the Group becomes party to the relevant contract, in accordance with the terms of that contract. The Group recognises debt instruments, such as loans and cash deposits, from the date on which the legal right to receive or the legal obligation to pay cash arises, and financial derivatives are recognized starting on the contract date. Transactions carried out in the currency market will be recognized on the settlement date and financial assets treated on Spanish secondary securities markets, if concerning equity instruments, will be recognized on the contract date and, if concerning debt securities, on the settlement date.

Financial instruments sold with a repurchase commitment are not eliminated from the balance sheet and the amount received on the sale is considered to be financing received from third-parties and recognized as a temporary assignment of assets.

#### f.1) Financial assets

Financial assets consist of, among other things, cash on hand, deposits at central banks and at credit institutions, monetary market transactions taking place through counterparty entities, customer loans, debt securities, equity instruments acquired except for those relating to subsidiaries, jointly -controlled companies or associates, then those deriving from trading and hedging transactions.

The Group classifies its financial assets in the following categories for measurement purposes:

- Financial assets at fair value through profit or loss: This financial asset portfolio is further subdivided into two parts:
  - Trading portfolio: financial assets issued or acquired for short-term realization or that form part of an identified and jointly managed financial instrument portfolio for which there is evidence of recent action to obtain short-term gains. This portfolio also includes derivative instruments not designated as accounting hedge instruments.
  - Other financial assets at fair value through profit or loss: hybrid financial assets that do not form part of the trading portfolio but must be fully measured at fair value.
- "Held-to-maturity investments": this category includes securities representing debt with a fixed maturity date and cash flows of a certain or ascertainable amount for which the Group has the positive intention and the demonstrated financial capacity to hold until maturity from the start and at any subsequent date.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

- Credits, loans and discounts which include the financial assets in respect of which while not being traded on an active market or not being obligatorily measured at fair value, cash flows involving a specific or determinable amount and in which the Group's entire outflow will be recovered, other than for reasons attributable to debtor solvency. This heading records the investment arising out of typical credit activity, such as the cash amounts drawn down yet to be repaid by customers on loans or the deposits placed with other institutions, regardless of how they are instrumented legally, and unlisted debt securities, as well as the debt contracted by buyers of goods or users of services, which are part of the Entity's business.
- "Available-for-sale financial assets": this portfolio includes debt securities not classified as a held-to-maturity investments or at fair value through changes in profit or loss, and equity instruments in companies that are not subsidiaries, jointly -controlled companies or associates of the parent entity and have not been included in the category of fair value through changes in profit or loss.

Financial assets are initially recognized in the balance sheet at their fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between interested and duly informed parties that carry out a transaction under conditions of mutual independence.

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

- The financial assets included in the categories of "Loan investments" and "Held-to-maturity investments", that are measured at amortized cost. Amortized cost is the amount at which a financial instrument was initially measured, less any repayment of principal, plus or minus as appropriate, the portion recorded in the income statement through the use of the effective interest rate method, the difference between the opening amount and the redemption value at maturity and less any impairment loss recognized directly due to a decrease in the amount of the asset or through an account adjusting its value.
- Financial assets that are equity instruments fair value cannot reliably estimated, and derivatives with those instruments as the underlying asset that are settled through their exchange and which are measured at cost.

The financial assets that have been designated as hedged items or as hedge instruments, are measured as indicated in Note 3.j) of these notes to the annual accounts.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

The fair value of standard financial derivatives included in trading portfolios is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to OTC derivatives. The fair value of OTC derivatives is the same as the sum of the future cash flows generated by the instrument, discounted at the measurement date ("present value" or "theoretical close"), employing valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument. For fixed- interest financial instruments, the effective interest rate agrees with the contractual interest rate established at the time of acquisition plus, if appropriate, the fees which, by nature, may be likened to an interest rate. For variable interest rate financial instruments, the effective interest rate agrees with the rate of return in effect for all items through to the first review of the reference rate.

Financial assets are eliminated from the Group's balance sheet when the contractual right to the cash flows from the financial asset has expired or are transferred, provided that the transfer involves substantially all their risks and benefits or when control has been transferred and those risks and benefits have not been substantially transferred or retained. In the latter case, when control over the assets is not transferred, they will continue to be recognized at the continuing commitment, i.e. at an amount equal to the Group's exposure to changes in the value of the transfer of financial asset.

The carrying value of financial assets is adjusted by the Group against the income statement when there is objective evidence that there are impairment losses (Note 3.i).

#### f.2) Financial liabilities

Financial liabilities consist of, among other things, deposits at central banks and credit institutions, monetary market transactions through counterparty entities, customer deposits, payables represented by marketable securities, traded derivatives and hedge derivatives, subordinated liabilities and short securities positions.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Financial liabilities are classified, for measurement purposes, into one of the following categories:

- Financial liabilities at fair value through profit or loss: This financial liability portfolio is further subdivided into two parts:
  - Trading portfolio: financial liabilities issued with the intention of repurchasing them in the near future. This portfolio includes short securities positions that form part of an identified and jointly-managed financial instrument portfolio for which there is evidence of recent action to obtain short-term gains and derivative instruments provided that they are not hedge instruments.
  - Other financial liabilities at fair value through profit or loss: Hybrid financial liabilities not included in the trading portfolio that must be measured entirely at fair value, including life insurance linked to investment funds, when the financial assets to which they are linked are also measured at fair value through changes in profit or loss.

At 31 December 2014 and 2013 the Group does not have any financial liabilities classified under this portfolio.

- “Financial liabilities at fair value through changes in equity”: this category includes the financial liabilities associated with “Available-for-sale financial assets” generated as a result of the transfer of assets that must be measured at fair value through changes in “Equity”.

At 31 December 2014 and 2013 the Group does not have any financial liabilities classified under this portfolio.

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

Financial liabilities are initially recognized in the balance sheet at their fair value. After initial recognition, all financial liabilities are stated at amortised cost, except for:

- Those included in the category of “Financial liabilities at fair value through profit or loss”, which are measured at fair value, except those derivatives that have equity instruments as the underlying asset whose fair value cannot be reliably estimated, which should be measured at cost.
- Financial liabilities arising from transfers of assets that do not comply with the conditions for elimination from the asset side of the balance sheet for the assigning company since that company maintains control over the financial asset and the relevant risks and benefits are not substantially transferred.
- The financial liabilities designated as hedged items or as accounting hedge instruments that follow the criteria and rules established in paragraph j) of this same note.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Financial liabilities are eliminated from the Group's balance sheet when they have expired or are acquired. The difference between the carrying value of expired financial liabilities and the consideration paid is immediately recognized in the income statement.

#### f.3) Gains and losses from financial instruments

Gains and losses from financial instruments are recognized depending on the portfolio into which they are classified in accordance with the following criteria:

- For financial instruments included in the category at fair value through profit or loss, changes in fair value are recognized directly in the income statement making a distinction for those instruments that are not derivatives between the portion attributable to the yields accrued on the instrument, which are recognized as interest or as dividends based on their nature, and the rest are recorded as results from financial transactions. Interest from financial instruments classified in this category is calculated by applying the effective interest rate method.
- For financial instruments measured at amortized cost, changes in fair value are recognized when the financial instrument is eliminated from the balance sheet and, in the case of financial assets, when they become impaired. Interest from financial instruments classified in this category is calculated by applying the effective interest rate method.
- The following criteria are applied to available-for-sale financial assets: (i) Accrued interest is calculated in accordance with the effective interest rate method and, when appropriate, the accrued dividends are recognized in the income statement, (ii) Impairment losses are recorded in accordance with the description provided in Note 3.i), (iii) Differences on exchange are recognized in the income statement when the concern monetary financial assets and transitionally under equity as "measurement adjustments" when concerning non-monetary financial assets up until they are eliminated from the balance sheet, at which time those differences are taken to the income statement, (iv) All other changes in value are recognized directly under the parent entity's equity until the financial asset is eliminated from the balance sheet.

#### f.4) Reclassification among financial instrument portfolios

Reclassifications among financial instrument portfolio only take place in the following cases:

- a) Except in the case of the exceptional circumstances indicated under paragraph iv) above, financial instruments classified as "At fair value through profit or loss" cannot be reclassified either within or outside of this category of financial instruments once acquired, issued or assumed.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

- b) If as a result of a change in intention or financial capacity a financial asset is no longer classified under held-to-maturity investments, it is reclassified under "available-for-sale financial assets". In this case the same treatment is applied to all financial instruments classified in the held-to-maturity investment portfolio, unless the reclassification falls under one of the cases allowed by legislation (sale very close to the maturity date or once practically all of the principal amount relating to the financial asset has been collected, etc.).

During 2013 no sale not allowed by legislation applicable to financial assets classified as held-to-maturity was carried out.

- c) As a result of a change in the Group's intention or financial capacity or, once the two year penalty period established by applicable legislation has elapsed in the event of the sale of financial assets classified under the Held-to-maturity investment portfolio, debt securities included under the category "Available-for-sale financial assets" may be reclassified to be "Held-to-maturity investment portfolio". In this case, the fair value of these financial instruments at the transfer date becomes their new amortized cost and the difference between this amount and the redemption value is taken to the profit and loss account by applying the effective interest rate method over the residual life of the instrument concerned.

During 2014 and 2013 no reclassification defined in the preceding paragraph took place.

- d) A financial asset that is not a derivative financial instrument may be classified outside of the trading portfolio if it ceases to be held for the purpose of being sold or repurchased in the short-term, provided that one of the following circumstances exists:
- i. In rare and exceptional circumstances, unless concerning assets that could have been included under the category of credit investments. For these purposes, rare and exceptional circumstances are those that arise from a particular event that is unusual and highly unlikely to be repeated in the foreseeable future.
  - ii. When the Group has the intention and financial capacity to maintain the financial asset for the foreseeable future or until maturity, provided that at initial recognition the definition of credit investment was met.

If these situations are in place the asset may be reclassified at its fair value on the date of reclassification, without reversing results and considering this value to be its amortized cost. Assets reclassified in this manner cannot be reclassified again under the category of "Trading portfolio".

In 2014 and 2013 no financial assets included under the Trading portfolio were reclassified.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### Treasury shares

Capital contributions to the Cooperative (parent entity) by its members are considered to be equity instruments and are recognized as when there is an unconditional right of the Cooperative to refuse to make repayment or when there are legal or bylaw prohibitions against making such repayment. If the prohibition against repayment is partial, the refundable amount above the prohibition is recognized in a specific item in the balance sheet "Capital of a financial liability nature". Contributions for which there is a compensation obligation, even if subject to the existence of profits at the Cooperative, are treated as financial liabilities. Compensation for the contributions is recognized as a financial expense for the year if relating to contributions recognized as financial liabilities and directly against the Cooperative's equity in all other cases.

However, Transitional Provision One of Bank of Spain Circular 4/2000 stipulated that Credit Cooperatives would not be required to apply this policy until 31 December 2006.

The Ordinary General Assembly held on 28 April 2006 approved the mandatory transformation of contributions from members with a right to a refund into contributions whose refund may be unconditionally refused by the Governing Council. Accordingly, as from that date all of the Cooperative's contributions are considered to be " equity instruments".

The compensation for the contributions will be established at any given time by the Parent Entity's General assembly (Note 22.1).

Issues, redemptions and compensation received or paid relating to equity instruments are recognized directly under the Parent Entity's equity and any changes in the value of these types of instruments are not recognized in the financial statements. The costs relating to this type of transaction are directly deducted from equity after deducting any tax effect related to them.

Compensation, changes in the carrying value and any results associated with the repurchase or refinancing of financial liabilities are recognized in the income statement as a financial expense. The income statement records the cost of issuing the financial liabilities by applying the effective interest rate method. In any event, remuneration for capital of a financial liability nature classified as expenses is presented in a separate heading.

#### Hybrid financial instruments

The Parent Entity issues hybrid financial instruments that include a primary contract that is different than that of a derivative and a derivative financial contract called an embedded derivative. Those embedded derivatives are segregated from the primary contracts and are treated independently for accounting purposes if the financial characteristics and risks of the embedded derivative are not closely related to those of the primary contract that is not a derivative, if a different instrument with the same conditions as those of the embedded derivative would comply with the definition of derivative and if the hybrid contract is not measured at fair value through profit or loss.

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The initial value of embedded derivatives separated from the primary contract that are options shall be based on their own characteristics, and those that are not options shall have a value of zero in their initial recognition. If the parent entity is unable to determine reliably at fair value an embedded derivative on the basis of its terms and conditions, it shall be estimated as the difference between the fair value of the hybrid contract and the fair value of the host contract, provided that both values can be considered reliable; if this is not possible either at acquisition or at a subsequent date, the parent entity shall not separate the hybrid contract and shall, for accounting purposes, treat the hybrid financial instrument in its entirety as included in the financial asset portfolio at fair value through profit or loss. The primary contract that is not a derivative is treated independently for accounting purposes.

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

- Financing granted to and received from other credit institutions and customers regardless of the legal form in which they are instrumented (loans, credit facilities, pre-payments, etc.).
- Debt securities (debentures, bonds, promissory notes, etc.) and equity instruments (shares).
- Derivatives; contracts whose result is related to the evolution of the value of an underlying asset (interest rate, exchange rate or a similar reference), with an insignificant or zero initial payment and settled at a future date. In addition to providing a profit and loss they allow, if certain conditions are met, the elimination of all or part of the financial risks associated with the Group's balances and transactions.

#### g) Financial guarantees

Financial guarantees are considered to be contracts under which the Entity is required to pay certain specific amounts on behalf of a third party in the event that it does not do so. The main contracts included under this heading, which is included in the "Memorandum item" information at the end of the balance sheet, are financial and technical guarantees, security deposits, irrevocable credit documents issued or confirmed by the Entity, insurance policies and any credit derivatives under which the Entity acts as the guarantor.

Financial guarantees are classified based on the risk of insolvency attributable to the customer or the transaction and, if appropriate, estimating the need to create provisions to cover the credit risk (Note 18), applying criteria that are similar to those used to determine the impairment losses on the financial assets classified into the portfolio "Loan investments", as described in Note 3.i).

#### h) Shareholdings in subsidiaries and associates

The Group classifies its shareholdings into subsidiaries, jointly -controlled companies or associates in accordance with the following criteria:

- **Subsidiaries:** Subsidiaries are considered to be those companies over which the Group has the capacity to exercise control. The Group controls a company when it receives, or is entitled to receive, variable yields due to its involvement in the investee company and it has the capacity to use its control to influence these yields. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. These shareholdings are consolidated using the full consolidation method.



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### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

All balances and transactions between fully consolidated companies were eliminated during the consolidation process.

- Jointly -controlled companies: "Joint ventures" are shareholdings in entities that are not dependent entities and are controlled jointly by two or more unrelated entities. This situation arises when there are contractual agreements by virtue of which two or more companies ("participants") hold an interest in companies (jointly-controlled) or carry out transactions or maintain assets such that any financial or operating strategic decision affecting them requires the unanimous consent of all participants. These companies are consolidated using the proportional method.
- Associates: They are companies over which the Parent Company, individually or together with the other group companies, has significant influence but they are not subsidiaries or joint-controlled companies. In order for there to be significant influence the Group considers, among other situations, its representation on the Board of Directors or equivalent governing body at the investee company, its participation in the process of establishing policies, including those relating to dividends or other distributions, the existence of significant transactions between the entity and the investee company, the exchange of senior management personnel and the supply of essential technical information, although habitually such significant influence is revealed through a direct or indirect interest equal to or exceeding 20% of the voting rights at the investee company.

There are no companies in which 20% or more of the voting rights are held that have not been considered to be associated with the group in 2014 and 2013.

Associates are measured using the equity method in the consolidated annual accounts. Shares held by the Entity in Associates are recognized at cost on the acquisition date and subsequently are measured based on the percentage of equity held in each investee company as represented by those shares. The results for the year obtained by the associate, after applying all appropriate adjustments attributable to the Group due to impairment, disposal or elimination by other means of assets whose fair value at the acquisition date is different than the carrying value in the associate's balance sheet, increase or reduce the value of the shareholding and are recorded in the consolidated income statement under the heading "Results from companies measured using the equity method". Changes subsequent to the acquisition date in the measurement adjustments relating to associates increase or reduce, as appropriate, the value of the shareholding. The amount of these changes are recognized under the heading "Measurement adjustments" in equity based on their nature through the consolidated statement of changes in equity.

#### Impairment of financial assets

The carrying value of financial assets is adjusted by the Company against the income statement when there is objective evidence that there are impairment losses.

#### Debt instruments

There is objective evidence of the impairment of debt instruments, which are understood to be receivables, loans and debt securities, when after initial recognition an event occurs that has a negative impact on estimated future cash flows.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

In the case of debt instruments measured at amortized cost, the amount of the impairment losses is equal to the difference between their carrying value and the present value of their future estimated cash flows although the Group considers that the present value of cash flows may be replaced by market value in the case of listed instruments, provided that the market value is sufficiently reliable. The amount of the estimated impairment losses is recognized in the income statement using an offsetting entry to adjust the value of the assets. When the recovery of the loss is considered to be remote, the amount is eliminated from the asset side of the balance sheet.

Similarly, the estimate of future cash flows from instruments secured by mortgage, takes into account the flows that would be obtained on realisation, less the amount of the necessary costs for their obtainment and subsequent sale, irrespective of the probable enforcement of the guarantee.

In the case of "Available-for-sale of financial assets", the amount of the impairment losses is equal to the positive difference of their acquisition cost, net of any repayment of principal, and their fair value less any impairment loss previously recognized in the income statement. When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses recognized directly under "Measurement adjustments" in "Equity" are recorded immediately in the income statement.

The recovery of impairment losses on debt instruments is recognized in the income statement for the period in which the recovery takes place.

All debt instruments that have been classified as impaired by the Group, as well as those that collectively reflect impairment losses due to being outstanding more than three months, no longer accrue interest.

In order to calculate the impairment losses the Group classifies its risks as normal, sub-prime, doubtful or in default.

The Entity considers sub- prime risks to be those loans, debt securities and guarantees that have been issued and not measured at fair value through changes in profit and loss which, while not meeting the criteria to be individually classified as doubtful or in default, present weaknesses that may lead to losses since they involve, among other things, transactions with customers that form part of groups in difficulty.

The Group considers impaired assets (doubtful risks) to be those debt instruments, as well as contingent risks and commitments, for which there is objective evidence of impairment, which fundamentally make reference to the existence of defaults, failures to comply, refinancing and the existence of data that provide evidence that it is possible that all of the future agreed flows will not be recovered or when concerning equity instruments, the full carrying value will not be recovered.

When the recovery of any recognized amount is considered to be remote it is eliminated from the balance sheet, notwithstanding any action may be taken to attempt recovery.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The present value of expected future cash flows is calculated by discounting the effective interest rate on the transaction (if the transaction was contracted at a fixed rate) or at the effective interest rate for the transaction at the restatement date (if the transaction was contracted at a variable rate). The expected future cash flows are calculated taking into account collateral, types of risk and the circumstances under which the amounts are expected to be collected.

A debt instrument becomes impaired due to the insolvency when the borrower's capacity to make payment is demonstrably impaired (risk attributable to the customer) or if country-risk materializes, which is understood to be that which concerns borrowers residing in the same country due to the specific circumstances in that country other than normal risk situations.

To determine the impairment losses for this type of assets, the Group evaluates possible losses as follows:

- Individually for all significant assets and for those that are not significant they are not included in homogeneous groups with similar characteristics: age of the outstanding amounts, type of collateral, business sector, the geographic area, etc.
- Collectively: The Group puts together those assets that have not been individually identified within homogeneous groups with similar credit risk characteristics that indicate the capacity of borrowers to make repayment, based on the, status of the transaction, collateral and the outstanding amounts, and establishes for each group the impairment losses (identified losses) that must be recognized in the annual accounts based on a default schedule prepared in accordance with the Group's experience in the sector.
- In addition to the losses that are specifically identified, the Group covers inherent losses incurred on risks not identified as impaired through an overall provision that is funded based on the statistical loss yet to be assigned to specific transactions, which is calculated taking into account past impairment experience and other known circumstances at the date of the financial statements.

Given that the Group does not have sufficient statistical information regarding its past impairment loss experience it has mainly used the parameters established by the Bank of Spain in accordance with its experience and the information it has regarding the Spanish financial sector, which is modified regularly in accordance with the evolution of the conditions in the sector and the environment.

#### Equity instruments

There is objective evidence that equity instruments have become impaired when after their initial recognition and events or a combination of events take place that mean that the carrying value will no longer be recoverable.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In the case of equity instruments measured at fair value and included in the portfolio "Available-for-sale financial assets", the impairment loss is calculated as the difference between their acquisition cost and their fair value, less any previously recognized impairment losses. Latent capital losses recognized directly as "Measurement adjustments" under "Equity" are taken to the income statement when it is determined that the decline in fair value is due to their impairment. If all or part of the impairment losses are recovered the amount is recognized in "Measurement adjustment" in "Equity".

In the case of equity instruments measured at cost in the "Available-for-sale financial asset" portfolio, the impairment loss is calculated as the difference between their carrying value and the present value of the expected future cash flows, restated using the market yield rate for other similar securities. The investee company's equity is taken into consideration when calculating impairment, except for "Measurement adjustments" due to cash flow hedges, adjusted by any tacit capital gains existing at the measurement date. These losses are recorded in the income statement by directly reducing equity instruments, without the amount being subsequently recovered except in the event of sale.

#### j) Accounting hedges

The Group uses financial derivatives (swaps, term contracts, futures, options and combinations of these instruments), bilaterally traded with counterparties outside of organized markets ("OTC derivatives").

These instruments are contracted by the Group to allow its customers to manage the risks that are inherent to their businesses and to manage the risks deriving from the Group's own positions and its assets and liabilities ("hedge derivatives"), or in order to obtain a benefit from changes in their price ("traded derivatives").

All financial derivatives (including those initially contracted with the intention of having them serve as hedges) that do not meet the conditions to consider them to be hedges are treated for accounting purposes as "traded derivatives".

In order to consider a financial derivative to be a hedge it must:

- a) Cover one of the following three types of risk: 1) Changes in the value of assets and liabilities due to variations in prices, the interest rate and/or the exchange rate to which the position or balance to be hedged is subject ("fair value hedge"), 2) Changes in the estimated cash flows deriving from the financial assets and liabilities, commitments and transactions that are considered to be highly likely to be carried out by an entity ("cash flow hedges") and 3) The net investment in a foreign business ("hedge of net investments in foreign businesses").
- b) Effectively eliminate a risk inherent to the hedged items or position over the entire life of the hedge are designated as hedges, which means that as from the time the hedge is contracted it is expected to be highly efficient on a prospective basis and there is sufficient evidence that the hedge has been effective over the life of the hedged item or position (retroactive efficiency).

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

- c) Provide documentation that the contracting of the financial derivative took place specifically to serve as a hedge, including the manner in which an effective hedge was to be obtained and measured, in accordance with the Group's risk management policy.

The hedging efficiency of the derivatives defined as hedges is duly documented through effectiveness testing carried out by the Group to verify that the differences resulting from variations in market prices between the hedged item and its hedge are consistent with reasonable criteria over the life of the transactions, thereby complying with the forecasts established at the time they are arranged.

The Group considers that a hedge is highly effective when from the start, and during the life of the transaction, changes in the cash flows or the fair value of hedged items resulting from the hedged risks are almost completely offset by changes in the cash flows or the fair value of the hedge. This requirement is met when the results of the hedge have varied with respect to the hedged item within a range of 80% to 125%.

If at any time this ratio is not met, the hedge transactions will cease to be treated as such and will be reclassified to traded derivatives.

Hedges may be applied to both individual items or balances or financial asset and liability portfolios. In the latter case, the financial assets or liabilities in the hedged portfolio must expose the Group to the same type of risk.

The Group only obtains hedges when all of the financial terms of the hedge fully coincide with the terms of the hedged transaction in order to guarantee full effectiveness.

The Group classifies its accounting hedges based on the type of risk they cover: fair value hedges, cash flow hedges and hedges of net investments in foreign businesses.

#### Recognition of fair value hedges

The gain or loss arising upon the measurement of hedge instruments at fair value and that attributable to the hedged risk are immediately recognized in the income statement, even when the hedged item is measured at amortised cost or is a financial asset included in the available-for-sale financial asset category.

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

#### Recognition of cash flow hedges

The gain or loss for the rise on the measurement of the hedge instrument at fair value (the effective part of the hedge) is recognized on a transitional basis in "Measurement adjustments" under equity. The gain or loss relating to the ineffective portion of the hedge is recognized immediately in the income statement.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Accumulated gains or losses on hedge instruments recognized under "Measurement adjustments" in equities remain in that area until recognized in the income statement for the periods in which the items designated as hedges affect that account, unless the hedge relates to a planned transaction that terminates in the recognition of a non-financial asset or liability, in which case the amounts recognized under equity are included in the cost of the asset or liability when acquired or assumed. If it is expected that a loss transitionally recognized under equity will not be recovered in the future, the amount is immediately reclassified to the income statement.

When the hedge is interrupted, the accumulated result from the hedge instrument recognized in "Measurement adjustments" under "Equity" while the hedge was effective continues to be recognized under that heading until the hedged transaction takes place, at which time the criteria indicated in the preceding paragraph are applied unless the expectation is that the transaction will not be carried out. In that case it is immediately recognized in the income statement.

The group does not have any hedges for net investments in foreign businesses.

#### k) Transfers of financial assets

The Group eliminates a transferred financial asset from the balance sheet when it fully transfers all contractual rights to receive cash flows that the asset generates or, when these rights are maintained, it assumes the contractual obligation to pay them to the assignees and when the risks and benefits associated with the ownership of the asset have been substantially transferred.

In the case of the transfer of assets in which the risks and rewards associated with the ownership of the assets are substantially retained, the transferred financial asset is not written-off from the balance sheet and an associated financial liability is recognized in an amount the compensation received, and it is subsequently measured at amortized cost. The transferred financial asset continues to be measured using the same criteria applied before the transfer. The income from the transferred financial asset and the expenses relating to the associated financial liability, are recognized in the income statement without being offset.

In the case of transfers of assets in which the risks and benefits associated with the ownership of the asset are neither transferred or substantially retained and the Group maintains control over the asset, a financial asset is recognized in an amount equal to its exposure to changes in the value of transferred financial asset together with a financial liability associated with the transferred financial asset, which is measured such that the carrying value of both instruments is equal to:

- When the transferred financial asset is measured at amortized cost: The amortized cost of the rights and obligations retained by the Group.
- When the transferred financial asset is measured at fair value: The fair value of the rights and obligations retained by the Group, measured separately.

In the event that the Group does not retain control over the transferred financial instrument, it is eliminated from the balance sheet and any right or obligation that is retained as a result of the transfer is recognized.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Group has not recognized assets and liabilities relating to transfers that took place before 1 January 2004 in accordance with the exception established in Transitional Provision One of Circular 4/2004. At 31 December 2014 and 2013 the Parent Entity records securitized assets that were eliminated under the previous legislation totalling €18,207 thousand and €20,700 thousand, respectively, and if they had not been cancelled they would have basically represented an increase in the Group's assets and liabilities by those amounts at that date.

At 31 December 2014 the Parent Entity records securitized assets that are fully recognized in the balance sheet totalling €356,429 thousand (€385,427 thousand in 2013) (Note 10.2).

#### l) Property, plant and equipment

Property, plant and equipment includes the amounts for properties, land, furnishings, vehicles, computer equipment and other items owned by the Group or being acquired under finance leases. Property, plant and equipment items are classified based on their intended use: property, plant and equipment used by the Group, investment properties, other assets assigned under operating leases and property, plant and equipment associated with the Education and Development Fund.

Property, plant and equipment used by the Group mainly includes offices and bank branches (both already built and under development) in the Group's possession. These assets are measured at cost, less accumulated depreciation and any impairment loss.

The cost of property, plant and equipment includes payments initially made at the time of their acquisition or production, and subsequently if there is any expansion, replacement or improvement when, in all cases, future financial benefits are likely to be obtained from their use.

The Group considered that the acquisition cost of certain items used by the Group and freely available to the Group at the date of transition to Circular 4/2004 (1 January 2004) was the market value of those items as verified by appraisals performed by independent experts. The accounting impact of that restatement totalled €17,875 thousand, net of taxes.

The acquisition or production cost of property, plant and equipment, net of its residual value, is depreciated on a straight-line basis in accordance with the estimated useful lives of the various assets, as follows:

|                       | <u>Useful life (years)</u> | <u>Depreciation rates used</u> |
|-----------------------|----------------------------|--------------------------------|
| Buildings for own use | 50 to 75                   | 1% to 2%                       |
| Furnishings           | 15                         | 5% to 10%                      |
| Plant                 | 15 to 20                   | 5% to 10%                      |
| Vehicles              | 14                         | 5% to 10%                      |

Repair and maintenance expenses that do not increase the useful life of the asset concerned are charged to the income statement in the year in which they are incurred.

The financial expenses incurred on the financing obtained to acquire property, plant and equipment do not increase the acquisition cost and are recorded in the income statement in the year in which they are incurred.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Assets acquired through deferred payments are recognized at an amount equal to their cash price and a liability equal to the amount that is pending payment is recognized. In those cases in which the deferral exceeds the normal deferral period (180 days for properties, 90 days for all other assets) the expenses deriving from the deferral are discounted from the acquisition cost and they are taken to income statement as a financial expense.

Property, plant and equipment is eliminated from the balance sheet when they are disposed of, even when assigned under a finance lease, or when they are permanently withdrawn from use and no future financial benefits are expected to be obtained on their disposal, assignment or abandonment. The difference between the selling price and their carrying value is recognized in the income statement for the period in which the asset is eliminated.

The Group regularly evaluates whether or not there are internal or external indications that any property, plant and equipment may have become impaired at the date to which the financial statements refer. For those identified assets it estimates the recoverable amount of property, plant and equipment which is understood to be the higher of: (i) fair value less amount of necessary selling costs and (ii) value-in-use. If the recoverable value calculated in this manner is less than the carrying value the difference between both figures is recognized in the income statement by reducing the carrying value of the asset to the recoverable amount.

The accounting principles applied to assets assigned under operating leases and non-current assets for sale are indicated in Notes 3.n) and 3.o).

#### m) Intangible assets

##### Other intangible assets

The Group classifies as intangible assets those non-monetary assets for which the estimation is that financial benefits are likely to be received and when their cost may be reliably estimated.

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

The useful lives and amortization rates used with respect to the intangible assets are as follows:

|                   | <u>Useful life (years)</u> | <u>Amortisation rates used</u> |
|-------------------|----------------------------|--------------------------------|
| Computer software | 6                          | 16.67%                         |

Intangible assets are classified by the Group as having a defined useful life (amortized over the useful life of the asset concerned).

Intangible assets with a defined life are amortised accordingly using criteria that are similar to those applied for the depreciation of property, plant and equipment.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In both cases, the Group recognises any impairment loss the assets and makes a balancing entry in the caption "Asset impairment losses – Other intangible assets" in the income statement. The criteria for recognising impairment losses on these assets and any recovery of impairment losses recognized in past years are similar to those used for property, plant and equipment (Note 3.l).

#### n) Leases

The Group classifies lease contracts as finance or operating leases on the basis of the financial substance of the transaction, irrespective of its legal form. Finance leases are those leases under which the Group substantially transfers all risks and benefits inherent to the ownership of the asset covered by the agreement, while operating leases consist of all other leases. At 31 December 2014 and 2013 the Group does not record any assets being required under finance leases.

#### Finance leases

Loans consisting of finance leases are reflected on the asset side of the balance in the amount of net investment in the lease, which is equal to the restated value of the amounts that will be received by the lessor from the lessee over the term of the lease, plus any residual value whose payment has been directly or indirectly secured for the lessor by the lessee, or by third parties with sufficient financial capacity, and any residual value that is not secured that corresponds to the lessor.

Initial direct costs, which are understood to be those attributable to the negotiation and contracting of the lease, are included in the initial measurement of the loan and decrease the income to be recognized over the term of the lease, except when the Group is the manufacturer or distributor of the asset.

Financial income will be recognized in the income statement through the application of the effective interest rate method, such that a constant financial yield is obtained on the net investment made by the lessor.

The accounting standards applied to impairment losses and eliminations from the balance sheet are the same as those applied to all other financial assets, as indicated in Notes 3.i) and 3.k).

In sale transactions involving assets that include the subsequent finance lease of the same asset, the Group does not eliminate the asset sold or recognize any possible profit resulting from the transaction in the income statement and records the total amount of the sale as a financial liability.

#### Operating leases

Assets assigned under an operating lease have been classified in the balance sheet in accordance with their nature.

The income deriving from operating leases is recorded on a straight-line basis in the income statement over the term of the lease. The initial direct costs attributable to the lessor are added to the carrying value of the leased asset and are recognized as an expense over the term of the lease applying the same criteria utilized when recognizing lease income.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The amounts received when contracting rights relating to the lease classified as an operating lease are treated as a pre-payment by the lessor and are amortized over the term of the lease, as the financial benefits arising from the leased asset are assigned.

The accounting standards applied by the Group with respect to the depreciation of the leased asset, as well as its impairment, have been described in Note 3.l) on property, plant and equipment.

The results deriving from firm asset sale operations including the subsequent lease of the same asset are recognized in the income statement provided that the sale has taken place at the fair value of the asset. If this is not the case, when the difference between the fair value and the selling price is:

- Positive: The loss that is offset against instalments that are lower than market rates is deferred and attributed to the income statement in proportion to the instalments paid during the period in which the asset is expected to be used.
- Negative: The difference is deferred and taken to the income statement over the period during which the asset is expected to be used.

#### o) Non-current assets for sale

The Group classifies as "Non-current assets for sale" those non-current assets (assets that do not form part of the business activity whose realization or recovery period is less than one year as from the date to which the financial statements refer) and disposal groups (groups of assets, together with the liabilities directly associated with them, that will be jointly disposed of in a single transaction, or as part of a unit or a group of units) whose carrying value is intended to be recovered through their sale, and when the asset is in an optimal state for sale, and such a sale is highly likely.

In accordance with the provisions of Circular 3/2010 and Circular 2/2012 (adopted in compliance with Legislative Royal Decree 2/2012), the value at which they are recognized in the balance sheet is the lower of the carrying value of the financial assets applied, i.e. the amortized cost, taking into account the estimated associated impairment and, in any event, a minimum of 10%, and the appraised value of the asset received in its present state, less estimated selling costs which are never lower than 10% of the appraised value. The elapsing of time is considered to be evidence of impairment such that those assets that remain for more than 12 months, 24 months or 36 months after their acquisition, are subject to an increase in the applicable impairment rates to 20%, 30% and 40%, respectively. However, the impairment of assets that remain on the balance sheet for more than 36 months will be calculated on the basis of updated appraisals.

In addition, the Group classifies foreclosed assets in this category and initially measures them at the lower of the carrying value of the financial assets applied, i.e. the amortized cost, taking into account the estimated associated impairment and, in any event, a minimum of 10%, and the market value of the asset received in its present state, less estimated selling costs which are never lower than 10% of the appraised value. Non-current assets for sale are not depreciated while they remain in this category.

Impairment losses affecting this type of asset, which are understood to be any initial and subsequent reductions in the carrying value to their fair value, less the cost of their sale, are recognized in the income statement. Similarly, when there is a recovery of the value it is recognized in the income statement up to an amount equal to the previously recognized impairment losses.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In those cases in which the Group finances the sale of non-current assets for the buyer, the profit or loss arising on the realization of this type of asset is recognized in the income statement for the year in which the sale is made, unless the buyer is a related party or there are any doubts regarding the recovery of the financed amounts, and in which the profit would be apportioned in proportion to the amounts due from the relevant financial asset.

p) Personnel expenses and retirement benefits

Current compensation

This type of remuneration is measured, without adjustment, at the amount payable for the services received and recorded, in general, as staff costs for the year and a liability accrual account is recorded for the difference between the total expense and the amount already paid.

Pension commitments

In accordance with the current Collective Wage Agreement, the Parent Entity is required to supplement Social Security benefits for a widow/widower or orphans of deceased active employees and to maintain an accident insurance policy for its employees with a capital base of €18,000. It must also pay a loyalty bonus to employees that have worked for the Entity for 20 years or more upon their retirement, total or absolute permanent disability or great disability, in the amount established by the Collective Wage Agreement. The accident insurance policy is regulated by Article 41 of the Commercial Code, widow/widower and orphan income by Article 40 of the Commercial Code and the loyalty bonus by Article 26 of the Commercial Code.

The Parent Entity is also required to pay pension supplements to retired personnel or employees declared to be disabled that were already receiving such payments on 1 June 1989.

In 2000 the Parent Entity externalized all of the aforementioned commitments for which it obtained five insurance policies to cover pension risks and commitments from Rural Vida, S.A.

In compliance with the provisions of Legislative Royal Decree 1/2002 (29 November) which approves the Law Regulating Pension Funds and Plans, and Royal Decree 1588/1999 (15 October) which approves the Regulations on the Structuring of Company Pension Commitments with employees and beneficiaries, the coverage of those commitments by the Parent Entity has been fulfilled through a group insurance policy is obtained from the aforementioned insurance company.

The Parent Entity's pension commitments are configured as defined benefit plans and the relevant actuarial measurement is performed on an annual basis by an independent expert in accordance with financial and biometric assumptions, and the normal cost of the annual risk is financed through a premium that the Parent Entity also pays on an annual basis.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In 2013 Bank of Spain Circular 4/2004 was amended by Circular 5/2013 with respect to Employee Compensation, in accordance with IFRS. That amendment gave rise to a change in the accounting treatment of defined-benefit plans and actuarial gains and losses must be immediately recognized under Equity, as well as in Other recognized income and expense within the recognized income and expense statement prepared by the Parent Entity. The cost of interest and the expected return on the assets in the defined benefit plans are replaced under the amended regulation by a net interest amount calculated by applying the interest rate used in the estimation of the present value of the obligation at the start of the year to the commitment liability (or asset). Finally, the amendments also gave rise to changes in the presentation of the cost components in the income statement. At 31 December 2014 and 2013, the actuarial gains and losses recognized in the heading "Reserves" under Equity total €211 thousand and €76 thousand.

The Parent Entity calculates the present value of its legal and constructive obligations deriving from its defined benefit plan at the date of the financial statements, after deducting any actuarial loss or gain and the fair value of the assets in the plan, as is stipulated by current legislation. The figure obtained in this manner is recognized as a provision (asset) for defined benefit pension funds.

The Parent Entity considers plan assets to be those that have the following characteristics:

- They are owned by a legally separate third-party that is not a related party.
- They are exclusively available to pay for or finance commitments with employees.
- They cannot be refunded to the Parent Entity except when commitments with employees have been settled or to repay the Parent Entity for benefits previously satisfied by the Entity.
- They are not non-transferable instruments issued by the Parent Company.

Changes in the recognized provision will be recorded:

- In the income statement: the cost of the services for the current period, the net interest on the provision (asset) for interest costs, the cost of past services and any gain or loss arising at the time of settlement.
- In the statement of changes in equity: new measurements of the provision (asset) deriving from actuarial gains or losses, the yield on plan assets that was not included in the net interest on the provision (asset), as well as changes in the present value of the asset as a result of changes in the present value of available cash flows for the parent entity that are not included in the net interest on the provision (asset). The amounts recognized in the statement of changes in equity will not be reclassified to the income statement in a subsequent year.

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The main assumptions used to measure these commitments were:

|  | <u>2014</u>   | <u>2013</u>   |
|--|---|---|
| Mortality and survival tables                  | PERM/F 2000 P   | PERM/F 2000 P   |
| Technical interest rate agreed in the policies | 1.70%   | 3.00%   |
| Inflation                                      | 1.5%, cumulative  | 2%, cumulative  |
| Pre-retirement salary growth                   | 2.5%, cumulative  | 3%, cumulative  |
| Salary growth                                  | 2.5%  | 3%  |
| Changes in Social Security contribution bases: | n/a   | n/a   |
| Date of retirement.                            | The first age at which the employee is entitled in accordance with current Social Security legislation. If the theoretical retirement age in accordance with the above does not give rise to the payment of the benefit, the age at which the right to collect the benefit is taking into consideration, up to a maximum of 70 years. | The first age at which the employee is entitled in accordance with current Social Security legislation. If the theoretical retirement age in accordance with the above does not give rise to the payment of the benefit, the age at which the right to collect the benefit is taking into consideration, up to a maximum of 70 years. |
| Rotation                                       | No  | No  |

The results of the actuarial measurements performed are set out below, breaking down the value of the pension commitment, the fair value of the assets (insurance policy) associated with the coverage of those commitments, as well as the amounts recognized under assets, liabilities and in the consolidated income statement.

In accordance with those assumptions, the measurement of pension commitments and risks was:

|   | <b>Thousand euro</b> |                  |
|---|----------------------|------------------|
|   | <u>2014</u>          | <u>2013</u>      |
| Commitments for current pensions (1)                              | 287                  | 266              |
| Pension risks on future pensions                                  | 5,235                | 4,187            |
| Accrued (2)   | 2,325                | 2,094            |
| Not accrued   | 2,910                | 2,093            |
| Commitments to be covered (1) + (2)                               | 2,612                | 2,360            |
| Fair value of the plan's assets (policies)                        | 2,885                | 2,427            |
| Asset (Liability) to be recognized in the balance sheet (Note 16) | <b><u>273</u></b>    | <b><u>67</u></b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The amounts recognized in the income statement were as follows:

|  | <b>Thousand euro</b> |                   |
|--|----------------------|-------------------|
|  | <b>2014</b>          | <b>2013</b>       |
| Cost of the services (Note 30)                       |                      |                   |
| Current year   | 107                  | 181               |
| Past services  | -                    | -                 |
|  | <u>107</u>           | <u>181</u>        |
| Net interest on the liability (asset)                |                      |                   |
| Interest expense                                     | 73                   | 69                |
| Expected yield on plan assets                        | <u>(73)</u>          | <u>(70)</u>       |
|  | -                    | (1)               |
| Recognized actuarial loss (gain) during the year (*) | -                    | -                 |
| (Income)/expense recognized in the income statement. | <b><u>107</u></b>    | <b><u>180</u></b> |

(\*) As was previously mentioned, actuarial losses and gains in 2014 and 2013 totalling €211 thousand and €76 thousand, respectively, have been recognized directly under equity.

At 31 December 2014 and 2013 there is no shortfall between the commitments to be covered and the fair value of the policies and therefore there are no internal pension funds.

In addition to the aforementioned commitments, the Governing Council at the Parent Entity held a meeting on 28 June 2005 and adopted a resolution to obtain a group capital insurance policy for retirement totalling €1,142 thousand to be distributed among the employees of the Parent Entity at that date. Those employees could surrender that policy in the following cases:

- Total or partial retirement
- Death
- Permanent absolute or total disability

This group capital insurance policy (defined contribution) was obtained after the surrender by the Parent Entity of the mathematical reserves created for the policy that covered the widow/widower and orphan commitments relating to retired personnel, as this commitment was eliminated from the collective wage agreement for Credit Cooperative Companies. The amount surrendered in 2005 totalled €1,142 thousand.

This group insurance policy was funded through a single contribution and the Parent Entity does not have any commitment whatsoever to supplement this insurance in future years.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### Termination benefits

Termination benefits are recognized as a provision for pension funds and similar obligations and as a personnel expense only when the Parent Company is demonstrably committed to terminating an employee or group of employees before their normal retirement date, or to pay remuneration as a result of an offer made as an incentive for the voluntary resignation of the employees.

#### q) Other provisions and contingencies

The Group makes a distinction between provisions and contingent liabilities. The former are balances payable that cover present obligations at the balance sheet date arising as a result of past events from which financial harm may be caused to the Group and when they are considered the likely to occur, they are certain in terms of their nature but uncertain in terms of their amount and/or time of settlement, while the latter are possible obligations arising as a result of past events whose materialization is subject to the occurrence, or not, of one or more future events outside of the Group's control.

The Group's annual accounts include all significant provisions for obligations that are considered to be more likely to arise than not. Contingent liabilities are not recognized in the consolidated annual accounts, although information is provided in the memorandum accounts.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are re-estimated at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

#### Court proceedings and/or claims in progress

At the year-end, there were several ongoing legal proceedings and claims against the Group arising from the ordinary course of its business. The Group's legal advisers and its Directors understand that the outcome of these proceedings and claims will not have a material effect on the consolidated annual accounts in the years in which they are completed.

#### r) Fees

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

#### Financial fees

Financial fees are those that form an integral part of the return on, or effective cost of, a financial transaction, are received or paid in advance, and in general are allocated to the income statement over the expected life of the financing, net of directly related costs, as an adjustment to cost or the effective return on the transaction.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### Non-financial fees

These types of fees arise on the rendering of services by the Group and are recognized in the income statement over the course of the period in which the service is executed or, if involving a service that is executed in a single act, at the time the single act takes place.

#### s) Swaps of property, plant and equipment and intangible assets

In swaps of property, plant equipment and intangible assets the Group measures the assets received at the fair value of assets delivered plus, if appropriate, the monetary consideration delivered in exchange unless there is clearer evidence of the fair value of the asset received. When it is not possible to measure the fair value in a reliable manner, the assets received are recognized at the carrying value of the assets delivered plus, if appropriate, any monetary compensation provided in exchange.

Losses arising on asset swap transactions are immediately recognized in the income statement, while any gains are only recognized if the swap is of a commercial nature and the fair value of the swapped assets can be reliably measured.

#### t) Education and Development Fund

The Group records the allocations made to the Education, Training and Development Fund as liabilities and if they are mandatory they are recognized as an expense for the year and if additional in nature they are recognized as an application of profits.

The application of this fund normally takes place by charging cash, except when the amount of the community projects fund is materialized through the Group's own business in which case the Education, Training and Development Fund is reduced, simultaneously recognizing income in the income statement.

#### u) Corporate income tax

The current income tax expense is calculated as the tax payable on taxable profit for the year, adjusted for the changes arising during the year in the assets and liabilities recognized as a result of temporary differences, tax credits and allowances and tax-loss carryforwards.

Corporate income tax expense is recognized in the income statement except when the transaction is recorded directly under equity and for business combinations for which the deferred tax is recognized as an additional equity item within that transaction.

In order for deductions, credits and tax hiking loss carryforwards to be affected they must meet the requirements established by current legislation and it must be likely that they will be recovered either due to sufficient deferred taxes or having arisen due to the occurrence of specific situations that are unlikely to occur again in the future.

The tax effect of temporary differences is included, if appropriate, under the relevant tax prepayment accounts or deferrals recorded under the headings "Tax assets" and "Tax liabilities" in the accompanying balance sheet.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At least at each account closing the Group reviews all recognized deferred taxes and therefore the related tax assets and liabilities and makes all measurement adjustments that are necessary in the event that those deferred taxes are not current or are not recoverable.

#### v) Off-balance sheet customer funds

The Group uses memorandum accounts stated at the fair value of funds provided by third parties for investments in companies and investment funds, pension funds, insurance-savings policies and discretionary portfolio management contracts, and it makes a distinction between the resources managed by other group companies and those marketed by the Group but managed by third parties outside of the Group.

Memorandum accounts also recognize the assets acquired on behalf of the Group by third parties and debt securities, equity instruments, derivatives and other financial instruments held on deposit, as collateral or fees by the Group, and for which it has a liability with respect to those third parties. These items are stated at their fair value or at cost in the event that there is not a reliable estimate of their amount.

The fees collected for the rendering of the services are recognized under the heading "Fees received" in the income statement, as described in Note 3.r) in these annual accounts.

#### w) Cash flow statement

The cash flow statement uses the following headings, whose definitions are as follows:

- Cash flows: inflows and outflows of cash and cash equivalents, defined as highly liquid, current investments with low risk of experiencing significant fluctuations in their value.
- Operating activities: typical banking activities and other activities that are not investing or financing activities.
- Investing activities: those relating to the acquisition, sale or disposal by other means of non-current assets and other investments not included under cash or cash equivalents.
- Financing activities: activities that alter the amount and structure of equity and liabilities that are not operating activities.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### x) Statement of changes in equity

The statement of changes in equity presented in these consolidated annual accounts shows all changes affecting equity during the year. This information is, in turn, presented in two statements: the recognized income and expenses statement and the statement of changes in total equity. The main characteristics of the information contained in both parts of the statement are set out below:

#### Consolidated statement of recognized income and expense.

This section of the consolidated statement of changes in equity shows the income and expenses generated by the Group as a result of its activity during the year, distinguishing profit and loss for the year, and each item of income and expense for the period that, as required by current regulations, recognized directly in equity.

Accordingly, this statement reflects:

- Profit/ (loss) for the year.
- The net amount of recognized income and expenses that will not be reclassified to profit or loss.
- Net amount of income and expenses temporarily recognized as measurement adjustments to equity.
- Net amount of income and expenses definitively recognized in equity.
- Corporate income tax accrued for the reasons indicated in the two preceding paragraphs.
- Total recognized income and expense, calculated as the sum of the preceding paragraphs.

Variations in income and expense recognized in equity as measurement adjustments are broken down into:

- Measurement gains/ (losses): represents the total income, net of expenses for the year, directly recognized in equity. The amounts recognized in the period under this item are maintained in it, even if in the same period they are transferred to the income statement, at the initial value of other assets or liabilities, or are reclassified in another place.
- Amounts transferred to the income statement: represents the balance of valuation gains or losses previously recognized in equity, albeit for the same year, that are recognized in the income statement.
- Amount transferred to the opening value of hedged items: represents the balance of valuation gains and losses previously recognized in equity, albeit for the same year, recognized in the initial carrying amount of assets and liabilities resulting from cash flow hedges.
- Other reclassifications: represents the balance of all reclassifications for the year in terms of valuation adjustments in accordance with prevailing legislation.

The amounts of these items are presented at their gross amount reflecting the relevant tax effect under the heading "Corporate income tax" in the statements, except for the items relating to measurement adjustments for entities measured using the equity method, as was previously indicated.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### Consolidated statement of total changes in equity

This section of the consolidated statement of changes in equity shows all changes in equity, including those resulting from changes in accounting policies and corrections of errors. This statement therefore shows a reconciliation of the carrying value at the start and end of the year of all items that form part of consolidated equity, grouping movements based on their nature under the following accounts:

- Adjustments due to changes in accounting policies and the correction of errors: including any changes in consolidated equity as a result of the retroactive restatement of financial statement balances due to changes in accounting policies or the correction of errors.
- Income and expense recognized during the year: represents the aggregate of all items of recognized income and expense, as outlined above.
- Other changes in equity: represents all other items recognized under equity, such as increases and decreases of the endowment fund, distribution of profit, operations with own equity instruments, payments with equity instruments, transfers between equity headings and any other increase or decrease in equity.

#### y) Recognition of income and expenses

Set out below is a summary of the most significant accounting policies employed by the Group to recognise income and expense:

In general, interest income and expense and similar items are recognized on an accrual basis using the effective interest method. Dividends received from other companies are recognized as income when the Company becomes entitled to receive them.

Income and expenses relating to other commissions and similar fees, which are not included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through the income statement, are recognized in the income statement using different methods depending on their nature. The most significant are as follows:

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through profit or loss are recognized in the income statement at the time of their settlement.
- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through profit or loss are recognized in the income statement at the time of their settlement.
- Amounts arising from non-current transactions or services are recognized in the income statement over the term of those transactions or services.
- Amounts relating to a singular event are recorded in the income statement when that event takes place.

Non-financial income and expenses are recognized on an accrual basis.

Deferred payments received and made are carried at the amount obtained by discounting forecast cash flows at market rates.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### z) Business combinations

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

- The buyer includes the assets, liabilities and contingent liabilities from the acquired business in its individual or consolidated financial statements including, if appropriate, any intangible assets not recognized by the latter that at that date meet the requirements to be recognized as such items, measured at fair value calculated in accordance with the measurement criteria indicated by Bank of Spain Circular 4/22004 (2 December) and all subsequent amendments.
- The cost of the business combination will be the sum of the fair value of the assets delivered, the liabilities incurred and any equity instruments issued by the buyer, and any other costs directly attributable to the business combination such as fees paid to legal advisors and consultants to carry out the combination. The costs of contracting and issuing the financial liabilities and equity instruments are not included in this category.
- The buyer will compare the cost of the business combination against the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities recognized by the acquired company and the resulting difference from this comparison will be recorded:
  - When positive, as goodwill under assets and under no circumstances will it be amortized but on an annual basis it will be subject to the impairment test established by Rule Thirty of Bank of Spain Circular 4/2004 (22 December) and all subsequent amendments.
  - When negative it will be recognized in the income statement as income under the heading "Negative differences on business combinations", after again verifying the fair values assigned to all equity items and the cost of the business combination.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 4. DISTRIBUTION OF RESULTS

The distribution of 2014 profits that the Governing Council at the Group's Parent Entity will propose to the General Assembly for approval, together with the 2013 distribution approved by the General Assembly on April 2014 is set out below:

|  | Thousand euro |              |
|--|---------------|--------------|
|  | 2014          | 2013 (*)     |
| Distribution                           |               |              |
| Compensation for capital contributions | 3,026         | 2,862        |
| To the Mandatory Reserve Fund          | 14,797        | 314          |
| To the Voluntary Reserve Fund          | 987           | 47           |
| <b>Total distributed</b>               | <b>18,810</b> | <b>3,223</b> |
| <b>Profit for year</b>                 | <b>18,810</b> | <b>3,223</b> |

(\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had retroactive effects for 2013 and 2012 and as a result the profit for the year at 31 December 2013 is €3,223 thousand (Note 2.c), which therefore does not coincide with the amount approved by the General Assembly on 4 April 2014.

The results from the remaining companies forming part of Caja Rural de Castilla-La Mancha Group will be distributed as decided by their respective Governing Bodies.

#### 5. FINANCIAL RISK MANAGEMENT

##### a) Credit risk

Credit risk arises from possible losses triggered by the breach of contractual obligations by the Parent Entity's counterparties. In the case of refundable financing granted to third parties (in the form of credits, loans, deposits, securities and other) credit risk arises as a consequence of non-recovery of principal, interest and other items in the terms regarding amount, period and other conditions stipulated in the contracts. In the case of off-balance sheet risks, it arises from the failure by counterparties to fulfil their obligations to third parties, thus forcing the Bank to assume them by virtue of the commitment undertaken.

Credit risk is the most significant risk faced by the Parent Entity as a result of its banking activity and it extends to include the risk that the counterparty will not be capable of fully repaying the amounts owed.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Credit risk management is an integral and homogeneous process at the Parent Entity that starts when a customer requests financing through the branch office network until all of the loaned funds are repaid. The various basic criteria for admitting credit risk by the Parent Entity have been established together with the minimum mandatory documentation that is necessary to comply with current legislation in force at any given time, always referenced to fundamental aspects regarding liquidity, security, profitability and collateral business.

In order to establish a more agile and specialized process for studying and analysing asset transactions with our customers, the Parent Entity has defined areas and specialized units based on the segment or type of transaction which, due to their characteristics, have or should have a different treatment. This is an attempt to respond to customers in a more professional and agile manner and to better reach a final decision to obtain a portfolio with the best possible credit quality.

The Parent Entity has assistance and support tools for the final decision and scoring systems and they are currently in operation for the retail customer (mortgages, consumer loans and credit cards) and micro-company segments (revenues of less than €1 million).

In the case of both micro-companies and individual customers the system evaluates the likelihood of default in a risk transaction by analysing the customer/transaction binomial.

For companies with revenues exceeding €1 million there is a rating that provides a score of between 1 and 8 (1 is the lowest score with the highest likelihood of default, and 8 is the best score), regarding the company's position with respect to the likelihood of default.

The following table shows the total exposure to credit risk at the end of 2014 and 2013:

|                        | <b>Thousand euro</b> |                  |
|------------------------|----------------------|------------------|
|                        | <b>2014</b>          | <b>2013</b>      |
| Customer loans         | 2,784,936            | 2,376,334        |
| Bank deposits          | 1,386,019            | 1,324,242        |
| Debt securities        | 2,019,641            | 1,418,071        |
| Derivatives            | 269                  | -                |
| Contingent liabilities | 203,855              | 174,482          |
| <b>Total Risk</b>      | <b>6,394,720</b>     | <b>5,293,129</b> |
| Contingent commitments | 333,009              | 438,901          |
| <b>Total exposure</b>  | <b>6,727,729</b>     | <b>5,728,699</b> |

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

Total risk relates to businesses in Spain and their distribution by Province within the "Customer loan" heading indicated above is as follows:

|              | Thousand euro    |                                   |
|--------------|------------------|-----------------------------------|
|              | Total assets     | Commitments and contingent risks: |
| <b>2014</b>  |                  |                                   |
| Toledo       | 1,691,022        | 442,916                           |
| Rest         | 1,093,914        | 93,948                            |
| <b>Total</b> | <b>2,784,936</b> | <b>536,864</b>                    |
|              |                  |                                   |
|              | Thousand euro    |                                   |
|              | Total assets     | Commitments and contingent risks  |
| <b>2013</b>  |                  |                                   |
| Toledo       | 1,862,186        | 513,760                           |
| Rest         | 514,148          | 99,623                            |
| <b>Total</b> | <b>2,376,334</b> | <b>613,383</b>                    |

The distribution of the heading "Customer loans" prior to 31 December 2014 and 2013, based on the business sector to which customers pertain, is set out the following table:

|   | Thousand euro    |                |                           |                  |                |                           |
|---|------------------|----------------|---------------------------|------------------|----------------|---------------------------|
|   | 2014             |                |                           | 2013             |                |                           |
|   | Risk             | Distribution % | Of which: Doubtful assets | Risk             | Distribution % | Of which: Doubtful assets |
| <b>Resident and non-resident sectors</b>              |                  |                |                           |                  |                |                           |
| Agriculture, livestock, hunting, forestry and fishing | 118,231          | 4.32           | 1,842                     | 115,741          | 4.95           | 1,758                     |
| Industry  | 137,463          | 5.02           | 14,886                    | 141,328          | 6.06           | 17,881                    |
| Construction  | 113,254          | 4.14           | 21,498                    | 114,881          | 4.92           | 16,328                    |
| Services:   | 208,845          | 7.63           | 12,883                    | 239,940          | 10.28          | 11,181                    |
| <i>Commerce and restaurants</i>                       | 157,386          | 5.75           | 9,960                     | 170,848          | 7.32           | 8,906                     |
| <i>Transportation and communications</i>              | 37,139           | 1.36           | 2,793                     | 34,845           | 1.49           | 1,606                     |
| <i>Other services</i>                                 | 14,320           | 0.52           | 130                       | 34,247           | 1.47           | 669                       |
| Financial mediation                                   | 28,882           | 1.06           | 68                        | 31,872           | 1.37           | 98                        |
| Real estate and business services                     | 63,264           | 2.31           | 3,253                     | 85,362           | 3.66           | 12,636                    |
| <i>Real estate development:</i>                       | 13,502           | 0.49           | 474                       | 38,918           | 1.67           | 8,474                     |
| Credit granted to individuals:                        | 2,066,131        | 75.51          | 42,235                    | 1,604,705        | 68.76          | 37,578                    |
| <i>Housing</i>  | 1,910,780        | 69.84          | 35,307                    | 1,256,245        | 53.83          | 27,320                    |
| <i>Consumer and other loans</i>                       | 139,102          | 5.08           | 6,350                     | 305,580          | 13.09          | 8,291                     |
| <i>Unclassified</i>                                   | 16,249           | 0.59           | 578                       | 42,880           | 1.84           | 1,967                     |
| <b>Total</b>  | <b>2,736,070</b> | <b>100</b>     | <b>96,665</b>             | <b>2,333,829</b> | <b>100</b>     | <b>97,460</b>             |
| Public entities                                       | 161,541          | -              | -                         | 138,261          | -              | -                         |
| Measurement adjustments                               | (112,675)        | -              | -                         | (95,756)         | -              | -                         |
| <b>Total</b>  | <b>2,784,936</b> | <b>100</b>     | <b>96,665</b>             | <b>2,376,334</b> | <b>100</b>     | <b>97,460</b>             |

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### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The composition of the risk in the heading "Customer loans" indicated above, based on the total net amount per customer in 2014 and 2013, is as follows:

|                         | Thousand euro    |                |                           |                  |                |                           |
|-------------------------|------------------|----------------|---------------------------|------------------|----------------|---------------------------|
|                         | 2014             |                |                           | 2013             |                |                           |
|                         | Risk             | Distribution % | Of which: Doubtful assets | Risk             | Distribution % | Of which: Doubtful assets |
| In excess of 6,000      | 99,814           | 3.58           | -                         | 105,897          | 4.46           | -                         |
| Between 3,000 and 6,000 | 51,868           | 1.86           | 9,721                     | 36,902           | 1.55           | 10,825                    |
| Between 1,000 and 3,000 | 81,680           | 2.93           | 11,386                    | 94,898           | 3.99           | 11,077                    |
| Between 500 and 1,000   | 77,893           | 2.80           | 7,991                     | 78,734           | 3.31           | 7,991                     |
| Between 250 and 500     | 183,842          | 6.60           | 8,265                     | 164,248          | 6.91           | 8,265                     |
| Between 125 and 250     | 864,083          | 31.03          | 23,023                    | 702,088          | 29.54          | 23,023                    |
| Between 50 and 125      | 980,763          | 35.22          | 19,633                    | 801,413          | 33.72          | 19,633                    |
| Between 25 and 50       | 254,294          | 9.13           | 6,855                     | 217,562          | 9.16           | 6,855                     |
| Less than 25            | 190,699          | 6.85           | 9,791                     | 174,592          | 7.36           | 9,791                     |
| <b>Total</b>            | <b>2,784,936</b> | <b>100</b>     | <b>96,665</b>             | <b>2,376,334</b> | <b>100</b>     | <b>97,460</b>             |

The distribution of "Customer loans" based on their status at the end of 2014 and 2013 is as follows:

|                         | Thousand euro    |                  |
|-------------------------|------------------|------------------|
|                         | 2014             | 2013             |
| Normal                  | 2,747,941        | 2,309,034        |
| Sub-prime               | 53,005           | 65,596           |
| Doubtful                | 96,665           | 97,460           |
| <b>Total</b>            | <b>2,897,611</b> | <b>2,472,090</b> |
| Measurement adjustments | (112,675)        | (95,756)         |
| <b>Total</b>            | <b>2,784,936</b> | <b>2,376,334</b> |

As regards the degree of credit risk concentration and in accordance with the provisions of Bank of Spain Circular 3/2008 on equity and subsequent modifications, as it relates to large risks, (defined as those which exceed 10% of equity) no exposure to a person or group may exceed 25% of equity, except for those risks deducted from eligible equity due to exceeding the limits of large risks. Moreover, major risks taken as a whole may not exceed an amount equal to eight times equity. The Entity's risk concentration policy takes the aforementioned limits into account and risk limits have been established by counterparty which are consistent with such requirements and procedures for controlling exceeded limits.

#### Information regarding refinanced and restructured items

On 2 October 2012, the Bank of Spain issued Circular 6/2012, on the rules regarding public and reserved financing reporting and model financial statements that amend Circular 4/2004 (22 December).



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### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In 2013 the Bank of Spain established other references for adequate compliance with Circular 6/200012 with respect to the identification and classification of refinancing transactions. In general, these transactions will be classified as sub- prime transactions unless there are objective circumstances for them to be reclassified as "doubtful" or "normal" risks (primarily based on aspects such as the likelihood or not that the amounts owed will be recovered, the contribution of additional collateral, grace periods, etc.). As a result this year the Parent Entity reviewed the adequate classification previously performed with respect to refinancing and/or restructuring transactions, as well as the estimate of the provisions created for these transactions.

The Parent Entity has a policy to address the refinancing, restructuring, novation and renegotiation of transactions as credit risk management instruments which, if used properly, are intended to improve the quality of the risk based on individual analyses that focus on obtaining financial viability for borrowers and their transactions.

Risk monitoring is a fundamental task order to anticipate problematic situations. There is a dual fundamental objective:

- Obtain viability for the borrower (granting of grace periods, increases in terms, etc.).
- Improved to the extent possible the Entity's risk position (improvement of collateral).

After the case-by-case analysis the potential risk of non-compliance is evaluated and the amounts that are believed to be unrecoverable are recognized and all necessary provisions are recorded to cover the loss.

There is an internal reporting system that allows individual analysis and monitoring of refinanced, restructured, novated and renegotiated transactions. In general, these types of transactions must meet the following requirements:

- There must be an up-to-date analysis of the financial situation of the borrower that supports the capacity to make payment of the financial obligations deriving from the transaction.
- The effectiveness of the collateral provided must be evaluated. Effective collateral is considered to be following for these purposes:
  - Pledged collateral consisting of monetary deposits, listed equities and debt securities.
  - Mortgage guarantee based on homes, offices, commercial premises and rural properties.
  - Personal guarantees (guarantees, security deposit, new owners, etc.) that fully cover the guaranteed risk.
- Evaluation of the borrower's payment history and/or the transaction, particularly the existence of prior refinancing or restructuring.

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**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The active balances concerning refinancing and restructuring at 31 December 2014 and 2013 are set out below:

|   | Thousand euro<br>2014               |               |                       |               |                         |               |                   |
|---|-------------------------------------|---------------|-----------------------|---------------|-------------------------|---------------|-------------------|
|   | Full real estate mortgage guarantee |               | Other real guarantees |               | Without real guarantees |               | Specific coverage |
|   | No. of transactions                 | Gross amount  | No. of transactions   | Gross amount  | No. of transactions     | Gross amount  |                   |
| <b>Normal Risk</b>  |                                     |               |                       |               |                         |               |                   |
| Public entities   | -                                   | -             | -                     | -             | 2                       | 2,037         | -                 |
| Other individual legal persons and businesses               | 148                                 | 14,386        | 6                     | 501           | 139                     | 8,533         | -                 |
| <i>Of which: Financing for construction and development</i> | 6                                   | 2,018         | -                     | -             | -                       | -             | -                 |
| Other natural persons                                       | 493                                 | 33,802        | 10                    | 778           | 59                      | 393           | -                 |
| <b>Total Normal</b>   | <b>641</b>                          | <b>48,188</b> | <b>16</b>             | <b>1,279</b>  | <b>200</b>              | <b>10,963</b> | <b>-</b>          |
| <b>Sub-prime risk</b>                                       |                                     |               |                       |               |                         |               |                   |
| Public entities   | -                                   | -             | -                     | -             | -                       | -             | -                 |
| Other individual legal persons and businesses               | 95                                  | 13,156        | 4                     | 334           | 94                      | 2,937         | 2,818             |
| <i>Of which: Financing for construction and development</i> | 20                                  | 8,493         | -                     | -             | -                       | -             | 1,714             |
| Other natural persons                                       | 101                                 | 8,691         | 6                     | 334           | 11                      | 38            | 1,055             |
| <b>Total sub-prime</b>                                      | <b>196</b>                          | <b>21,847</b> | <b>10</b>             | <b>668</b>    | <b>105</b>              | <b>2,975</b>  | <b>3,873</b>      |
| <b>Doubtful Risk</b>  |                                     |               |                       |               |                         |               |                   |
| Public entities   |                                     |               |                       |               |                         |               |                   |
| Other individual legal persons and businesses               | 94                                  | 16,734        | 23                    | 7,625         | 208                     | 3,319         | 14,963            |
| <i>Of which: Financing for construction and development</i> | 16                                  | 4,100         | 3                     | 1,877         | -                       | -             | 2,268             |
| Other natural persons                                       | 131                                 | 10,029        | 29                    | 3,083         | 85                      | 925           | 4,342             |
| <b>Total Doubtful</b>                                       | <b>225</b>                          | <b>26,763</b> | <b>52</b>             | <b>10,708</b> | <b>293</b>              | <b>4,244</b>  | <b>19,305</b>     |
| <b>Total</b>  | <b>1,062</b>                        | <b>96,798</b> | <b>78</b>             | <b>12,655</b> | <b>598</b>              | <b>18,182</b> | <b>23,178</b>     |

(\*) Excluding the general provision

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

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|   | Thousand euro                       |                |                       |               |                         |               |                       |
|---|-------------------------------------|----------------|-----------------------|---------------|-------------------------|---------------|-----------------------|
|   | Full real estate mortgage guarantee |                | Other real guarantees |               | Without real guarantees |               | Specific coverage (*) |
|   | No. of transactions                 | Gross amount   | No. of transactions   | Gross amount  | No. of transactions     | Gross amount  | (*)                   |
| <b>Normal Risk</b>  |                                     |                |                       |               |                         |               |                       |
| Public entities   | 1                                   | 973            | -                     | -             | 3                       | 5,913         | -                     |
| Other individual legal persons and businesses               | 119                                 | 11,452         | 7                     | 556           | 99                      | 10,037        | -                     |
| <i>Of which: Financing for construction and development</i> | 5                                   | 1,603          | -                     | -             | -                       | -             | -                     |
| Other natural persons                                       | 462                                 | 31,917         | 13                    | 939           | 106                     | 736           | -                     |
| <b>Total Normal</b>   | <b>582</b>                          | <b>44,342</b>  | <b>20</b>             | <b>1,495</b>  | <b>208</b>              | <b>16,686</b> | <b>-</b>              |
| <b>Sub-prime risk</b>                                       |                                     |                |                       |               |                         |               |                       |
| Public entities   | -                                   | -              | -                     | -             | -                       | -             | -                     |
| Other individual legal persons and businesses               | 110                                 | 17,974         | 6                     | 490           | 101                     | 1,400         | 3,418                 |
| <i>Of which: Financing for construction and development</i> | 25                                  | 11,799         | -                     | -             | -                       | -             | 2,310                 |
| Other natural persons                                       | 114                                 | 9,942          | 6                     | 242           | 25                      | 153           | 1,218                 |
| <b>Total sub-prime</b>                                      | <b>224</b>                          | <b>27,916</b>  | <b>12</b>             | <b>732</b>    | <b>126</b>              | <b>1,553</b>  | <b>4,636</b>          |
| <b>Doubtful risk</b>  |                                     |                |                       |               |                         |               |                       |
| Public entities   |                                     |                |                       |               |                         |               |                       |
| Other individual legal persons and businesses               | 83                                  | 20,573         | 16                    | 5,824         | 153                     | 2,244         | 14,282                |
| <i>Of which: Financing for construction and development</i> | 13                                  | 4,345          | 2                     | 726           | -                       | -             | 2,034                 |
| Other natural persons                                       | 119                                 | 9,250          | 21                    | 2,658         | 115                     | 1,159         | 4,247                 |
| <b>Total Doubtful</b>                                       | <b>202</b>                          | <b>29,823</b>  | <b>37</b>             | <b>8,482</b>  | <b>268</b>              | <b>3,403</b>  | <b>18,529</b>         |
| <b>Total</b>  | <b>1,008</b>                        | <b>102,081</b> | <b>69</b>             | <b>10,709</b> | <b>602</b>              | <b>21,642</b> | <b>23,165</b>         |

(\*) Excluding the general provision

A breakdown of the transactions classified as doubtful in 2014 and 2013 subsequent to their refinancing or restructuring is set out below:

|   | Thousand euro |               |
|---|---------------|---------------|
|   | 2014          | 2013          |
| Public entities   | -             | -             |
| Other individual legal persons and businesses               | 27,678        | 28,642        |
| <i>Of which: Financing for construction and development</i> | 5,977         | 5,071         |
| Other natural persons                                       | 14,037        | 13,067        |
| <b>Total</b>  | <b>41,715</b> | <b>41,709</b> |

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### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The carrying value 31 December 2014 and 2013 of "Customer loans" recognized by the Group and broken down by business and purpose, including details of the type of collateral and distribution by tranche, based on the percentage of the carrying value of the financing compared to the amount of the latest available appraisal or collateral measurement is as follows:

| Thousand euro   |                  |  |   |                |                    |                      |                       |               |
|---|------------------|--|---|----------------|--------------------|----------------------|-----------------------|---------------|
| 31 December 2014  |                  |  |   |                |                    |                      |                       |               |
| Secured loans Loan to value   |                  |  |   |                |                    |                      |                       |               |
|   | Total            | Of which:<br>Real estate<br>collateral | Of which:<br>Rest of real<br>guarantees | LTV<br>≤40%    | 40%<<br>LTV<br>60% | 60%<<br>LTV ≤<br>80% | 80%<<br>LTV ≤<br>100% | LTV<br>100%   |
| Public entities   | 161,526          | -                                      | 402                                     | -              | 402                | -                    | -                     | -             |
| Other financial institutions  | 14,801           | -                                      | -                                       | -              | -                  | -                    | -                     | -             |
| Non-financial companies and self-employed   | 597,676          | 305,347                                | 4,732                                   | 149,593        | 97,568             | 44,437               | 8,896                 | 9,585         |
| Real estate development and construction  | 52,369           | 50,633                                 | -                                       | 29,538         | 18,410             | 2,233                | 452                   | -             |
| Execution of civil works  | 29,209           | 12,771                                 | 222                                     | 5,699          | 5,142              | 1,824                | 100                   | 228           |
| Other purposes  | 516,098          | 241,943                                | 4,510                                   | 114,356        | 74,016             | 40,380               | 8,344                 | 9,357         |
| Large companies   | 29,823           | 2,172                                  | -                                       | -              | -                  | 2,172                | -                     | -             |
| SMEs and self-employed  | 486,275          | 239,771                                | 4,510                                   | 114,356        | 74,016             | 38,208               | 8,344                 | 9,357         |
| Other household and non-profit  | 2,046,471        | 1,934,941                              | 1,302                                   | 465,142        | 590,482            | 748,291              | 118,240               | 14,088        |
| Homes   | 1,901,029        | 1,856,165                              | 430                                     | 420,744        | 566,660            | 738,893              | 117,918               | 12,380        |
| Consumer  | 15,551           | 1,475                                  | 181                                     | 837            | 257                | 401                  | 89                    | 72            |
| Other purposes  | 129,891          | 77,301                                 | 691                                     | 43,561         | 23,565             | 8,997                | 233                   | 1,636         |
| (Less): Measurement adjustments due to impairment not attributable to specific transactions | (30,221)         | -                                      | -                                       | -              | -                  | -                    | -                     | -             |
| Consolidation eliminations  | (5,317)          | -                                      | -                                       | -              | -                  | -                    | -                     | -             |
| <b>Total</b>  | <b>2,784,936</b> | <b>2,240,288</b>                       | <b>6,436</b>                            | <b>614,735</b> | <b>688,452</b>     | <b>792,728</b>       | <b>127,136</b>        | <b>23,673</b> |
| Refinancing, refinanced and restructured transactions                                       | 104,457          | 89,212                                 | 204                                     | 31,993         | 31,360             | 20,212               | 2,583                 | 3,269         |

  

| Thousand euro   |                  |                                       |   |                |                      |                      |                       |               |
|---|------------------|---------------------------------------|---|----------------|----------------------|----------------------|-----------------------|---------------|
| 31 December 2013  |                  |                                       |   |                |                      |                      |                       |               |
| Secured loans Loan to value   |                  |                                       |   |                |                      |                      |                       |               |
|   | Total            | Of which:<br>Real estate<br>guarantee | Of which:<br>Rest of real<br>guarantees | LTV<br>≤40%    | 40%<<br>LTV ≤<br>60% | 60%<<br>LTV ≤<br>80% | 80%<<br>LTV ≤<br>100% | LTV<br>100%   |
| Public entities   | 138,009          | -                                     | 670                                     | -              | -                    | -                    | 670                   | -             |
| Other financial institutions  | 37,635           | 119                                   | -                                       | 119            | -                    | -                    | -                     | -             |
| Non-financial companies and individual businesses   | 671,982          | 392,663                               | 4,588                                   | 169,942        | 129,686              | 63,605               | 24,075                | 9,943         |
| Real estate development and construction  | 63,587           | 60,948                                | -                                       | 32,769         | 24,324               | 3,039                | 816                   | -             |
| Execution of civil works  | 48,160           | 23,720                                | 113                                     | 10,704         | 9,006                | 3,898                | 74                    | 151           |
| Other purposes  | 560,235          | 307,995                               | 4,475                                   | 126,469        | 96,356               | 56,668               | 23,185                | 9,792         |
| Large companies   | 33,788           | 4,129                                 | -                                       | 137            | -                    | 2,319                | -                     | 1,673         |
| SMEs and self-employed  | 526,447          | 303,866                               | 4,475                                   | 126,332        | 96,356               | 54,349               | 23,185                | 8,119         |
| Other household and non-profit  | 1,563,495        | 1,494,961                             | 820                                     | 226,697        | 399,260              | 578,935              | 278,342               | 12,547        |
| Homes   | 1,247,438        | 1,241,403                             | 256                                     | 147,127        | 313,985              | 500,839              | 269,203               | 10,505        |
| Consumer  | 11,926           | 1,076                                 | 43                                      | 565            | 189                  | 334                  | 10                    | 21            |
| Other purposes  | 304,131          | 252,482                               | 521                                     | 79,005         | 85,086               | 77,762               | 9,129                 | 2,021         |
| (Less): Measurement adjustments due to impairment not attributable to specific transactions | (29,744)         | -                                     | -                                       | -              | -                    | -                    | -                     | -             |
| Consolidation eliminations  | (5,043)          | -                                     | -                                       | -              | -                    | -                    | -                     | -             |
| <b>Total</b>  | <b>2,376,334</b> | <b>1,887,743</b>                      | <b>6,078</b>                            | <b>396,758</b> | <b>528,946</b>       | <b>642,540</b>       | <b>303,087</b>        | <b>22,490</b> |
| Refinancing, refinanced and restructured transactions                                       | 111,268          | 78,119                                | 311                                     | 24,757         | 25,954               | 20,551               | 3,306                 | 3,862         |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014 and 2013 the breakdown of the concentration of risk by activity and geographic area is set out below:

|   | Thousand euro    |                  |                           |              |               |
|---|------------------|------------------|---------------------------|--------------|---------------|
|   | Total            | Spain            | Rest of<br>European Union | America      | Rest of world |
| Credit institutions   | 1,844,316        | 1,838,108        | 3,167                     | 3,041        | -             |
| Public entities   | 1,701,857        | 1,701,857        | -                         | -            | -             |
| – State Administration  | 1,334,792        | 1,334,792        | -                         | -            | -             |
| – Other   | 367,065          | 367,065          | -                         | -            | -             |
| Other financial institutions  | 277,660          | 36,497           | 241,163                   | -            | -             |
| Non-financial companies and individual businesses   | 788,445          | 788,445          | -                         | -            | -             |
| – Real estate construction and development (b)  | 52,372           | 52,372           | -                         | -            | -             |
| – Execution of civil works  | 31,456           | 31,456           | -                         | -            | -             |
| – Other purposes  | 704,617          | 704,617          | -                         | -            | -             |
| Large companies (c)   | 155,108          | 155,108          | -                         | -            | -             |
| SMEs and self-employed (c)  | 549,509          | 549,509          | -                         | -            | -             |
| Other household and non-profit  | 2,052,939        | 2,052,083        | 694                       | 59           | 103           |
| – Housing (d)   | 1,901,080        | 1,900,300        | 651                       | 26           | 103           |
| – Consumer (d)  | 15,551           | 15,551           | -                         | -            | -             |
| – Other purposes (d)  | 136,308          | 136,232          | 43                        | 33           | -             |
| <b>SUBTOTAL</b>   | <b>6,665,217</b> | <b>6,416,990</b> | <b>245,024</b>            | <b>3,100</b> | <b>103</b>    |
| (Less): Measurement adjustments due to impairment not attributable to specific transactions | (30,221)         | (30,221)         | -                         | -            | -             |
| <b>TOTAL</b>  | <b>6,634,996</b> | <b>6,386,769</b> | <b>245,024</b>            | <b>3,100</b> | <b>103</b>    |

|   | Thousand euro    |                  |                           |              |               |
|---|------------------|------------------|---------------------------|--------------|---------------|
|   | Total            | Spain            | Rest of<br>European Union | America      | Rest of world |
| Credit institutions   | 1,773,516        | 1,770,531        | 45                        | 2940         | -             |
| Public entities   | 1,118,107        | 1,118,107        | -                         | -            | -             |
| – State Administration  | 837,287          | 837,287          | -                         | -            | -             |
| – Other   | 280,820          | 280,820          | -                         | -            | -             |
| Other financial institutions  | 151,726          | 103,771          | 47,955                    | -            | -             |
| Non-financial companies and individual businesses   | 850,545          | 850,545          | -                         | -            | -             |
| – Real estate construction and development (b)  | 63,590           | 63,590           | -                         | -            | -             |
| – Execution of civil works  | 50,009           | 50,009           | -                         | -            | -             |
| – Other purposes  | 736,946          | 736,946          | -                         | -            | -             |
| Large companies (c)   | 183,814          | 183,814          | -                         | -            | -             |
| SMEs and self-employed (c)  | 553,132          | 553,132          | -                         | -            | -             |
| Other household and non-profit  | 1,567,266        | 1,566,698        | 540                       | 28           | -             |
| – Housing (d)   | 1,247,438        | 1,247,129        | 281                       | 28           | -             |
| – Consumer (d)  | 11,926           | 11,926           | -                         | -            | -             |
| – Other purposes (d)  | 307,902          | 307,643          | 259                       | -            | -             |
| <b>SUBTOTAL</b>   | <b>5,461,160</b> | <b>5,409,652</b> | <b>48,540</b>             | <b>2,968</b> | <b>-</b>      |
| (Less): Measurement adjustments due to impairment not attributable to specific transactions | (29,744)         | (29,744)         | -                         | -            | -             |
| <b>TOTAL</b>  | <b>5,431,416</b> | <b>5,379,908</b> | <b>48,540</b>             | <b>2,968</b> | <b>-</b>      |

The definition of risk for the purposes of the preceding table includes the following items in the public balance sheet: deposits at credit institutions, customer loans, debt securities, equity instruments, traded derivatives, hedge derivatives, shares and contingent risks.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

| 2014   | Thousand euro            |               |              |                  |                |            |                  |               |                |              |               |                  |              |               |                    |                |            |            |                   |
|--|--------------------------|---------------|--------------|------------------|----------------|------------|------------------|---------------|----------------|--------------|---------------|------------------|--------------|---------------|--------------------|----------------|------------|------------|-------------------|
|  | Regional Administrations |               |              |                  |                |            |                  |               |                |              |               |                  |              |               |                    |                |            | Total      |                   |
|  | Andalucia                | Aragón        | Asturias     | Balearic Islands | Canary Islands | Cantabria  | Castilla LM      | Castilla L.   | Catalonia      | Extremadura  | Galicia       | Madrid           | Murcia       | Navarre       | Region of Valencia | Basque Country | La Rioja   |            | Ceuta and Melilla |
| Credit institutions                            | 112,774                  | -             | -            | -                | -              | -          | 316              | -             | 131,736        | -            | 2,812         | 1,537,670        | -            | -             | -                  | 52,800         | -          | -          | 1,838,108         |
| Public entities                                | 31,443                   | 28,627        | -            | -                | -              | -          | 166,826          | 6,784         | -              | -            | 24,405        | 88,626           | -            | 20,354        | -                  | -              | -          | -          | 1,701,857         |
| - State Administration: (*)                    | -                        | -             | -            | -                | -              | -          | -                | -             | -              | -            | -             | -                | -            | -             | -                  | -              | -          | -          | 1,334,792         |
| - Rest   | 31,443                   | 28,627        | -            | -                | -              | -          | 166,826          | 6,784         | -              | -            | 24,405        | 88,626           | -            | 20,354        | -                  | -              | -          | -          | 367,065           |
| Other financial institutions                   | -                        | -             | -            | -                | -              | -          | 2,831            | -             | -              | -            | -             | 33,666           | -            | -             | -                  | -              | -          | -          | 36,497            |
| Non-financial companies and self-employed      | 505                      | 35            | 18           | 54               | 16             | 2          | 502,216          | 4,083         | 5,058          | 2,153        | 93            | 272,318          | 114          | 1             | 750                | 886            | 143        | -          | 788,445           |
| - Real estate construction and development (b) | -                        | -             | -            | -                | -              | -          | 36,941           | 610           | 1              | -            | -             | 14,820           | -            | -             | -                  | -              | -          | -          | 52,372            |
| - Execution of civil works                     | 14                       | -             | -            | -                | -              | -          | 18,448           | 223           | -              | 4            | -             | 12,696           | -            | -             | -                  | 71             | -          | -          | 31,456            |
| - Other purposes                               | 491                      | 35            | 18           | 54               | 16             | 2          | 446,827          | 3,250         | 5,057          | 2,149        | 93            | 244,802          | 114          | 1             | 750                | 815            | 143        | -          | 704,617           |
| Large companies (c)                            | -                        | -             | -            | -                | -              | -          | 10,117           | -             | 4,411          | -            | -             | 139,830          | -            | -             | 750                | -              | -          | -          | 155,108           |
| SMEs and self-employed (c)                     | 491                      | 35            | 18           | 54               | 16             | 2          | 436,710          | 3,250         | 646            | 2,149        | 93            | 104,972          | 114          | 1             | -                  | 815            | 143        | -          | 549,509           |
| Other household and non-profit                 | 9,393                    | 915           | 1,202        | 636              | 1,823          | 700        | 1,284,871        | 27,319        | 2,684          | 4,423        | 1,386         | 708,311          | 1,468        | 128           | 225                | 5,730          | 672        | 197        | 2,052,083         |
| - Housing (d)                                  | 8,387                    | 853           | 1,045        | 598              | 1,544          | 677        | 1,194,817        | 25,582        | 2,350          | 4,134        | 1,246         | 651,874          | 1,227        | 24            | 29                 | 5,123          | 599        | 191        | 1,900,300         |
| - Consumer (d)                                 | 96                       | -             | -            | 3                | -              | -          | 11,198           | 494           | 9              | 26           | 17            | 3,632            | 7            | 2             | -                  | 67             | -          | -          | 15,551            |
| - Other purposes (d)                           | 910                      | 62            | 157          | 35               | 279            | 23         | 78,856           | 1,243         | 325            | 263          | 123           | 52,805           | 234          | 102           | 196                | 540            | 73         | 6          | 136,232           |
| <b>TOTAL</b>                                   | <b>154,115</b>           | <b>29,577</b> | <b>1,220</b> | <b>690</b>       | <b>1,839</b>   | <b>702</b> | <b>1,957,060</b> | <b>38,186</b> | <b>139,478</b> | <b>6,576</b> | <b>28,696</b> | <b>2,640,591</b> | <b>1,582</b> | <b>20,483</b> | <b>975</b>         | <b>59,416</b>  | <b>815</b> | <b>197</b> | <b>6,416,990</b>  |

NOTE: Excludes impairment adjustments.

(\*) Indicated in the column "Total" as they are not distributed by Region

| 2013  | Thousand euro            |               |            |                  |                |            |                  |               |                |              |               |                  |            |               |                    |                |           |           |                   |
|---|--------------------------|---------------|------------|------------------|----------------|------------|------------------|---------------|----------------|--------------|---------------|------------------|------------|---------------|--------------------|----------------|-----------|-----------|-------------------|
|   | Regional Administrations |               |            |                  |                |            |                  |               |                |              |               |                  |            |               |                    |                |           | Total     |                   |
|   | Andalucia                | Aragón        | Asturias   | Balearic Islands | Canary Islands | Cantabria  | Castilla LM      | Castilla L.   | Catalonia      | Extremadura  | Galicia       | Madrid           | Murcia     | Navarre       | Region of Valencia | Basque Country | La Rioja  |           | Ceuta and Melilla |
| Credit institutions                               | 126,746                  | -             | -          | -                | -              | -          | 33,030           | -             | 179,484        | -            | 7,968         | 1,342,675        | -          | -             | -                  | 80,628         | -         | -         | 1,770,531         |
| Public entities                                   | 8,844                    | 12,019        | -          | 312              | -              | -          | 169,228          | 3,272         | -              | -            | 20,062        | 56,713           | -          | 10,370        | -                  | -              | -         | -         | 1,118,107         |
| - State Administration: (*)                       | -                        | -             | -          | -                | -              | -          | -                | -             | -              | -            | -             | -                | -          | -             | -                  | -              | -         | -         | 837,287           |
| - Rest  | 8,844                    | 12,019        | -          | 312              | -              | -          | 169,228          | 3,272         | -              | -            | 20,062        | 56,713           | -          | 10,370        | -                  | -              | -         | -         | 280,820           |
| Other financial institutions                      | -                        | -             | -          | -                | -              | -          | 405              | -             | -              | -            | -             | 103,366          | -          | -             | -                  | -              | -         | -         | 103,771           |
| Non-financial companies and individual businesses | 737                      | 48            | 21         | 63               | 22             | -          | 592,455          | 5,667         | 6,420          | 1,927        | 58            | 242,375          | 8          | 1             | 591                | 152            | -         | -         | 850,545           |
| - Real estate construction and development (b)    | -                        | -             | -          | -                | -              | -          | 44,659           | 635           | -              | -            | -             | 18,296           | -          | -             | -                  | -              | -         | -         | 63,590            |
| - Execution of civil works                        | 5                        | -             | -          | -                | -              | -          | 41,023           | 327           | -              | 31           | -             | 8,615            | -          | -             | 8                  | -              | -         | -         | 50,009            |
| - Other purposes                                  | 732                      | 48            | 21         | 63               | 22             | -          | 506,773          | 4,705         | 6,420          | 1,896        | 58            | 215,464          | 8          | 1             | 583                | 152            | -         | -         | 736,946           |
| Large companies (c)                               | -                        | -             | -          | -                | -              | -          | 44,881           | -             | 5,429          | -            | -             | 133,504          | -          | -             | -                  | -              | -         | -         | 183,814           |
| SMEs and self-employed (c)                        | 732                      | 48            | 21         | 63               | 22             | -          | 461,892          | 4,705         | 991            | 1,896        | 58            | 81,960           | 8          | 1             | 583                | 152            | -         | -         | 553,132           |
| Other household and non-profit                    | 4,038                    | 337           | 288        | 332              | 329            | 504        | 1,077,846        | 26,579        | 949            | 3,595        | 888           | 446,960          | 414        | 53            | 3,183              | 314            | 18        | 71        | 1,566,698         |
| - Housing (d)                                     | 3,660                    | 276           | 239        | 310              | 294            | 294        | 809,719          | 23,155        | 633            | 2,850        | 774           | 401,608          | 388        | 29            | 2,586              | 242            | 5         | 67        | 1,247,129         |
| - Consumer (d)                                    | 82                       | -             | -          | -                | -              | -          | 9,800            | 197           | 1              | 10           | -             | 1,835            | -          | -             | -                  | 1              | -         | -         | 11,926            |
| - Other purposes (d)                              | 296                      | 61            | 49         | 22               | 35             | 210        | 258,327          | 3,227         | 315            | 735          | 114           | 43,517           | 26         | 24            | 597                | 71             | 13        | 4         | 307,643           |
| <b>TOTAL</b>                                      | <b>140,365</b>           | <b>12,404</b> | <b>309</b> | <b>707</b>       | <b>351</b>     | <b>504</b> | <b>1,872,964</b> | <b>35,518</b> | <b>186,853</b> | <b>5,522</b> | <b>28,976</b> | <b>2,192,089</b> | <b>422</b> | <b>10,424</b> | <b>3,774</b>       | <b>81,094</b>  | <b>18</b> | <b>71</b> | <b>5,409,652</b>  |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

During 2014 and 2013 the Group has not carried out any significant renegotiations of credit transactions that change their original conditions such that it obtained additional collateral to provide higher coverage for the Entity with respect to its payments and most of the renegotiated transactions have been maintained as impaired.

#### Exposure to the real estate construction and development sector

Furthermore, following the recommendations of the Bank of Spain regarding transparency for the financing of real estate reduction and development, financing for the acquisition of homes and assets acquired in lieu of payment together with the measurement of financing needs in markets using the disclosure models established by Bank of Spain Circular 5/2011 (30 November), the Entity provides the following information:

Financing for real estate construction and development and its hedges at 31 December 2014 and 2013 are as follows:

|   | <u>2014</u>           |  |   |
|---|-----------------------|--|---|
|   | <u>Gross amount</u>   | <u>Excess above the value of the guarantee</u> | <u>Measurement adjustments due to asset impairment: Specific coverage</u> |
| <b>Financing for real estate development and construction (businesses in Spain)</b> | 62,207                | 3,645  | 9,684   |
| Of which: doubtful  | 11,094                | 2,795  | 4,274   |
| Of which: sub-prime   | 32,594                | 660  | 5,410   |
| <b>Memorandum item:</b>   |                       |  |   |
| Failed assets   |                       |  |   |
| <b>Memorandum item:</b>   | <u>Carrying value</u> |  |   |
| - Total customer loans, excluding public entities (businesses in Spain)             | 2,621,449             |  |   |
| - Total assets (total businesses)   | 6,669,013             |  |   |
| - Measurement adjustments and provisions for credit risk                            | 31,423                |  |   |
|   |                       |  |   |
|   | <u>2013</u>           |  |   |
|   | <u>Gross amount</u>   | <u>Excess above the value of the guarantee</u> | <u>Measurement adjustments for asset impairment: Specific coverage</u>    |
| <b>Financing for real estate development and construction (businesses in Spain)</b> | 77,967                | 5,494  | 18,196  |
| Of which: doubtful  | 13,748                | 3,746  | 6,210   |
| Of which: sub-prime   | 42,135                | 1,402  | 6,930   |
| <b>Memorandum item:</b>   |                       |  |   |
| Failed assets   | -                     |  |   |
| <b>Memorandum item:</b>   | <u>Carrying value</u> |  |   |
| - Total customer loans, excluding public entities (businesses in Spain)             | 2,235,930             |  |   |
| - Total assets (total businesses)   | 5,482,044             |  |   |
| - Measurement adjustments and provisions for credit risk                            | 27,506                |  |   |

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The following table shows the breakdown of financing for construction, property development transactions and the acquisition of housing at 31 December 2014 and 2013:

|                              | <b>Financing for real estate construction and development:</b> |               |
|------------------------------|--|---------------|
|                              | <b>Gross amount</b>  |               |
|                              | <b>2014</b>  | <b>2013</b>   |
| With no mortgage guarantee   | 2,357  | 3,010         |
| With a mortgage guarantee    | 59,850   | 74,957        |
| Finished buildings           | 53,461   | 65,249        |
| Housing                      | 53,288   | 65,017        |
| Rest                         | 173  | 232           |
| Buildings under construction | 1,745  | 3,536         |
| Housing                      | 1,745  | 3,484         |
| Rest                         | -  | 52            |
| Land                         | 4,644  | 6,172         |
| Developed land               | 2,890  | 3,669         |
| Other land                   | 1,754  | 2,503         |
| <b>Total</b>                 | <b>62,207</b>  | <b>77,967</b> |

At 31 December 2014 and 2013 the breakdown of household loans for the acquisition of homes (excluding rehabilitation and improvements to) was as follows:

|                            | <b>2014</b>         |                           | <b>2013</b>         |                           |
|----------------------------|---------------------|---------------------------|---------------------|---------------------------|
|                            | <b>Gross amount</b> | <b>Of which: doubtful</b> | <b>Gross amount</b> | <b>Of which: doubtful</b> |
| Home acquisition loans     | 1,863,557           | 33,869                    | 1,248,052           | 26,907                    |
| With no mortgage guarantee | 10,049              | 155                       | 29,711              | 181                       |
| With a mortgage guarantee  | 1,853,508           | 33,714                    | 1,218,341           | 26,726                    |

The breakdowns of loans secured by a mortgage guarantees for the acquisition of homes, based on the percentage represented by the total risk involving the amount of the latest available appraisal at 31 December 2014 and 2013 are as follows:

|                    | <b>Risk compared with the latest appraisal available (loan to value)</b> |  |   |   |                        | <b>Total</b> |
|--------------------|--|--|---|---|------------------------|--------------|
|                    | <b>Less than or equal to 40%</b>   | <b>Exceeding 40% and less than or equal to 60%</b> | <b>Exceeding 60% and less than or equal to 80 %</b> | <b>Exceeding 80% and less than or equal to 100%</b> | <b>Exceeding 100 %</b> |              |
| Gross amount       | 414,418  | 551,617  | 736,164   | 123,739   | 27,570                 | 1,853,508    |
| Of which: doubtful | 1,692  | 3,601  | 6,052   | 5,990   | 16,379                 | 33,714       |



**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

|                    | Risk compared with the latest appraisal available (loan to value) |   |  |  |                 | 2013      |
|--------------------|---|---|--|--|-----------------|-----------|
|                    | Less than or equal to 40%   | Exceeding 40% and less than or equal to 60% | Exceeding 60% and less than or equal to 80 % | Exceeding 80% and less than or equal to 100% | Exceeding 100 % | Total     |
| Gross amount       | 137,275   | 308,234                                     | 653,244                                      | 95,818                                       | 23,770          | 1,218,341 |
| Of which: doubtful | 680   | 2,562                                       | 6,419  | 3,638  | 13,427          | 26,726    |

The breakdown of the assets received in lieu of payment at 31 December 2014 and 2013 is as follows:

|   | 2014           |  | 2013           |  |
|---|----------------|--|----------------|--|
|   | Carrying value | Measurement adjustments for asset impairment | Carrying value | Measurement adjustments for asset impairment |
| <b>Real estate assets from financing provided to construction and real estate development companies</b> | <b>7,101</b>   | <b>(5,251)</b>                               | <b>12,980</b>  | <b>(3,010)</b>                               |
| Finished buildings  | 5,221          | (1,715)                                      | 7,313          | (859)  |
| Housing   | 4,986          | (1,630)                                      | 7,086          | (847)  |
| Other   | 235            | (85)   | 227            | (12)   |
| Buildings under construction  | 1,710          | (1,636)                                      | 3,428          | (1,175)                                      |
| Housing   | 1,710          | (1,636)                                      | 3,428          | (1,175)                                      |
| Other   | -              | -  | -              | -  |
| Land  | 170            | (1,900)                                      | 2,239          | (976)  |
| <b>Real estate assets from mortgage financing to acquire homes</b>                                      | <b>1,010</b>   | <b>(348)</b>                                 | <b>14,357</b>  | <b>(2,669)</b>                               |
| <b>Other real estate assets received as payment of debt</b>   | <b>18,453</b>  | <b>(3,252)</b>                               | <b>2,317</b>   | <b>(335)</b>                                 |
| <b>Total</b>  | <b>26,564</b>  | <b>(8,851)</b>                               | <b>29,654</b>  | <b>(6,014)</b>                               |

By virtue of compliance with R 8/2012 (30 October) on the write-down and sale of real estate assets held by the financial sector, in 2012 the Entity transferred all real estate assets from financing totalling €11,313 thousand granted to real estate construction and development companies to two companies created for this purpose. On 22 December 2014 the Entity transferred to those companies the real estate assets totalling €3,793 thousand from financing granted to the real estate construction and development companies that were foreclosed on during the year. On 26 December 2013 the Entity transferred to those companies the real estate assets totalling €2,260 thousand (Note 13) from financing granted to the real estate construction and development companies that were foreclosed on during the year.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### **Policies and strategies established for the management of problematic risk associated with the development sector**

In accordance with the provisions of Bank of Spain Circular 5/2001, which amends certain aspects of Circular 4/2004 (22 December), the Entity applies a group of policies and strategies to manage financing that is of problematic recovery used to finance real estate projects, focusing on the reduction and refinement of current exposure, without ignoring new business that is identified as viable. The management of these risks has allowed a significant reduction of its exposure over the past few years (-20.21% in 2014 and -12.72% in 2013), and the portfolio is diversified.

Those policies and procedures include, among other things, criteria regarding the following aspects:

- An individual analysis performed by specialized personnel in the Risk Division, specifically by the Risk Analysis, Monitoring and Authorization Department, the Recovery Department and the Legal Department is also involved.
- Using the advisory services provided by Risk Analysis, Monitoring and Authorization Department new payment facilities backed by additional collateral may be evaluated.
- Support for the sales management carried out by the Commercial Network, suggesting that offered prices adapt as quickly as possible to demand.
- In the event of foreclosure, in order to optimize sales management the Recovery and Asset Realization Departments coordinate with the Commercial Network and evaluate the formal aspects of the marketing of these properties through the Sales Committee.

#### b) Market risk

Market risk consists of the risks arising from possible adverse variations in the interest rates on assets and liabilities, in the exchange rates of the currencies in which the on- (asset and liability) or off-balance sheet aggregates are denominated, and in the market prices of marketable financial instruments.

##### b.1) Interest rate risk

This risk is understood to be the sensitivity of the Parent Entity's financial margin to changes in market interest rates. Responsibility for the management of this risk is assigned the Entity's Asset and Liability Committee. Regular reports are prepared that use the Structural Balance Sheet method, which is characterized by the use of financial instruments to modify the gap between assets and liabilities that basically derives from retail banking operations. On a regular basis the Entity's Asset and Liability Committee analyses and monitors the evolution of the structural balance sheet, taking corrective action whenever deemed necessary.

The Parent Entity analyses the sensitivity of the Financial Margin to changes in interest rates. This sensitivity is subject to mismatches affecting maturity dates and the review of interest rates that arise between the various items in the balance sheet.

The measurement used by the Parent Entity to control interest risk in the balance sheet management is the interest rate gap. The analysis of the gap is supplemented with simulations of the main balance sheet figures that are subject to interest rate risk.

## **CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

### **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The analysis of interest rate gaps addresses the mismatches between revaluation periods of assets and liabilities in both balance sheets (assets and liabilities) and memorandum accounts. It provides a basic illustration of the balance sheet structure and enables period interest risk concentration to be detected.

The following table summarizes the Group's exposure to interest rate risk in which it groups together and the carrying value of financial assets and liabilities based on the interest rate review date, or the maturity date in the case of fixed-rate transactions. The carrying value of financial derivatives, which are primarily used to reduce the Entity's exposure to interest rate risk, is included in "Other assets" and "Liabilities". To create the accompanying table the contractual interest rate review dates were used in the case of variable-rate transactions. The contractual maturity date was used in the case of fixed-rate transactions. The table is expressed in euro, since it is the only currency with relevant exposure.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

|   | Up to 1 month    |              | Between 1 and 3 months |              | Between 3 months and 1 year |              | Between 1 and 2 years |              | Between 2 and 3 years |              | Between 3 and 4 years |              | Between 4 and 5 years |              | More than 5 years |              | NOT SENSITIVE  | Total            |         |
|---|------------------|--------------|------------------------|--------------|-----------------------------|--------------|-----------------------|--------------|-----------------------|--------------|-----------------------|--------------|-----------------------|--------------|-------------------|--------------|----------------|------------------|---------|
|   | Thousand euro    | % average    | Thousand euro          | % average    | Thousand euro               | % average    | Thousand euro         | % average    | Thousand euro         | % average    | Thousand euro         | % average    | Thousand euro         | % average    | Thousand euro     | % average    | Euro           | Thousand euro    |         |
|   |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                |                  |         |
| <b>2014</b>   |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                |                  |         |
| <b>Assets</b>   |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                |                  |         |
| Cash and deposits at central banks  | 96,459           | 0.02%        | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | 23,742           | 120,201 |
| Trading portfolio   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | -       |
| Other financial assets at fair value through changes in profit and loss     | -                | -            | -                      | -            | -                           | -            | 4,000                 | -            | -                     | -            | 15,000                | 3.33%        | 35,000                | 0.00%        | -                 | -            | (8,587)        | 45,413           |         |
| Available-for-sale financial assets   | 66,939           | 3.70%        | 24,549                 | 3.20%        | 630,579                     | 2.27%        | 375,623               | 3.51%        | 136,810               | 4.64%        | 250,100               | 4.29%        | 124,600               | 3.32%        | 189,075           | 5.04%        | 394,306        | 2,192,581        |         |
| Loans   | 1,678,421        | 0.93%        | 803,439                | 2.36%        | 1,534,485                   | 2.25%        | 68,096                | 2.88%        | 18,962                | 5.96%        | 15,460                | 5.97%        | 29,308                | 1.97%        | 20,754            | 5.55%        | (16,047)       | 4,152,878        |         |
| Held-to-maturity investment portfolio                                       | -                | -            | -                      | -            | -                           | -            | 40,000                | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | 40,000  |
| Other assets  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | 117,940        | 117,940          |         |
| <b>Total</b>  | <b>1,841,819</b> | <b>0.98%</b> | <b>827,988</b>         | <b>2.39%</b> | <b>2,165,064</b>            | <b>2.25%</b> | <b>487,719</b>        | <b>3.41%</b> | <b>155,772</b>        | <b>4.80%</b> | <b>280,560</b>        | <b>4.33%</b> | <b>188,908</b>        | <b>2.79%</b> | <b>209,829</b>    | <b>5.09%</b> | <b>511,354</b> | <b>6,669,013</b> |         |
| <b>Liabilities</b>  |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                |                  |         |
| Trading portfolio   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | -       |
| Other financial liabilities at fair value through changes in profit or loss | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | -       |
| Financial liabilities at fair value with changes in equity                  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | -       |
| Financial liabilities at amortised cost                                     | 2,723,006        | 0.25%        | 464,087                | 1.48%        | 1,607,497                   | 1.23%        | 277,169               | 1.70%        | 137,273               | 0.35%        | 89,391                | 0.17%        | 73,931                | 0.18%        | 815,665           | 0.19%        | 41,936         | 6,229,955        |         |
| Other liabilities and equity  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | 439,058        | 439,058          |         |
| <b>Total</b>  | <b>2,723,006</b> | <b>0.25%</b> | <b>464,087</b>         | <b>1.48%</b> | <b>1,607,497</b>            | <b>1.23%</b> | <b>277,169</b>        | <b>1.70%</b> | <b>137,273</b>        | <b>0.35%</b> | <b>89,391</b>         | <b>0.17%</b> | <b>73,931</b>         | <b>0.18%</b> | <b>815,665</b>    | <b>0.19%</b> | <b>480,994</b> | <b>6,669,013</b> |         |
| - Interest rate futures.  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | -       |
| Interest-rate options   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | -       |
| Financial swaps   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -              | -                | -       |
| <b>Gap</b>  | <b>(881,187)</b> | -            | <b>363,901</b>         | -            | <b>557,567</b>              | -            | <b>210,550</b>        | -            | <b>18,499</b>         | -            | <b>191,169</b>        | -            | <b>114,977</b>        | -            | <b>(605,836)</b>  | -            | <b>30,360</b>  | -                | -       |
| <b>Cumulative gap</b>   | <b>(881,187)</b> | -            | <b>(517,286)</b>       | -            | <b>40,281</b>               | -            | <b>250,831</b>        | -            | <b>269,330</b>        | -            | <b>460,499</b>        | -            | <b>575,476</b>        | -            | <b>(30,360)</b>   | -            | -              | -                | -       |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

|   | Up to 1 month    |              | Between 1 and 3 months |              | Between 3 months and 1 year |              | Between 1 and 2 years |              | Between 2 and 3 years |              | Between 3 and 4 years |              | Between 4 and 5 years |              | More than 5 years |              | NOT SENSITIVE   | Total            |         |
|---|------------------|--------------|------------------------|--------------|-----------------------------|--------------|-----------------------|--------------|-----------------------|--------------|-----------------------|--------------|-----------------------|--------------|-------------------|--------------|-----------------|------------------|---------|
|   | Thousand euro    | % average    | Thousand euro          | % average    | Thousand euro               | % average    | Thousand euro         | % average    | Thousand euro         | % average    | Thousand euro         | % average    | Thousand euro         | % average    | Thousand euro     | % average    | Euro            | Thousand euro    |         |
|   |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                 |                  |         |
| <b>2013 (*)</b>   |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                 |                  |         |
| <b>Assets</b>   |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                 |                  |         |
| Cash and deposits at central banks  | 89,876           | 0.08%        | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | 21,786           | 111,662 |
| Trading portfolio   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | -       |
| Other financial assets at fair value through changes in profit and loss     | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | 5,850                 | 6.30%        | 15,000                | 3.33%        | -                 | -            | (4,704)         | 16,146           |         |
| Available-for-sale financial assets   | 23,294           | 1.09%        | 66,078                 | 3.57%        | 209,372                     | 1.68%        | 207,420               | 3.95%        | 250,800               | 3.72%        | 80,660                | 4.22%        | 145,700               | 4.03%        | 303,415           | 4.86%        | 213,473         | 1,500,212        |         |
| Loans   | 1,438,156        | 1.53%        | 736,100                | 2.58%        | 1,296,452                   | 2.58%        | 103,788               | 3.56%        | 31,037                | 5.51%        | 14,419                | 5.98%        | 11,771                | 5.59%        | 27,281            | 5.00%        | 41,572          | 3,700,576        |         |
| Held-to-maturity investment portfolio                                       | -                | -            | -                      | -            | -                           | -            | 40,000                | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | 40,000  |
| Other assets  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | 107,383         | 107,383          |         |
| <b>Total</b>  | <b>1,551,326</b> | <b>1.44%</b> | <b>802,178</b>         | <b>2.66%</b> | <b>1,505,824</b>            | <b>2.45%</b> | <b>351,208</b>        | <b>4.02%</b> | <b>281,837</b>        | <b>3.92%</b> | <b>100,929</b>        | <b>4.59%</b> | <b>172,471</b>        | <b>4.08%</b> | <b>330,696</b>    | <b>4.87%</b> | <b>379,510</b>  | <b>5,475,979</b> |         |
| <b>Liabilities</b>  |                  |              |                        |              |                             |              |                       |              |                       |              |                       |              |                       |              |                   |              |                 |                  |         |
| Trading portfolio   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | -       |
| Other financial liabilities at fair value through changes in profit or loss | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | -       |
| Financial liabilities at fair value with changes in equity                  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | -       |
| Financial liabilities at amortised cost                                     | 2,023,209        | 0.57%        | 385,728                | 1.94%        | 1,276,576                   | 1.90%        | 241,948               | 1.86%        | 290,672               | 1.66%        | 76,670                | 0.28%        | 62,391                | 0.25%        | 688,964           | 0.27%        | 47,252          | 5,093,410        |         |
| Other liabilities and equity  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | 382,569         | 382,569          |         |
| <b>Total</b>  | <b>2,023,209</b> | <b>0.57%</b> | <b>385,728</b>         | <b>1.94%</b> | <b>1,276,576</b>            | <b>1.90%</b> | <b>241,948</b>        | <b>1.86%</b> | <b>290,672</b>        | <b>1.66%</b> | <b>76,670</b>         | <b>0.28%</b> | <b>62,391</b>         | <b>0.25%</b> | <b>688,964</b>    | <b>0.27%</b> | <b>429,821</b>  | <b>5,475,979</b> |         |
| - Interest rate futures.  | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | -       |
| Interest-rate options   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | -       |
| Financial swaps   | -                | -            | -                      | -            | -                           | -            | -                     | -            | -                     | -            | -                     | -            | -                     | -            | -                 | -            | -               | -                | -       |
| <b>Gap</b>  | <b>(471,883)</b> | -            | <b>416,450</b>         | -            | <b>229,248</b>              | -            | <b>109,260</b>        | -            | <b>(8,835)</b>        | -            | <b>24,259</b>         | -            | <b>110,080</b>        | -            | <b>(358,268)</b>  | -            | <b>(50,311)</b> | -                | -       |
| <b>Cumulative gap</b>   | <b>(471,883)</b> | -            | <b>(55,433)</b>        | -            | <b>173,815</b>              | -            | <b>283,075</b>        | -            | <b>274,240</b>        | -            | <b>298,499</b>        | -            | <b>408,579</b>        | -            | <b>50,311</b>     | -            | -               | -                | -       |

(\*\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had retroactive effects for 2013 and 2012 and as a result the profit for the year at 31 December 2013 is €3,223 thousand (Note 2.c), which therefore does not coincide with the amount approved by the General Assembly on 4 April 2014.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Asset and Liability Committee (COAP) is the body responsible for managing the Entity's interest rate risk, proposing the optimal management policy that is compatible with the guidelines established by senior management and issued by the Governing Council. The COAP takes on this task from two clearly different perspectives:

- Analysing the impact on the interest margin or profits through the flow of interest: assuming that financial assets and liabilities at 31 December 2014 remain stable until maturity or settlement, a 100 basis point increase in interest rates would decrease the financial margin the following year by €13,949 thousand (€1,763 thousand in 2013). A 100 basis point decline in interest rates would decrease the financial margin the following year by €931 thousand (€259 thousand in 2013).
- Analysing the impact on equity (or the financial value) of the Entity, which is understood to be the difference between the market value of the assets and liabilities in the balance sheet: assuming that financial assets and liabilities at 31 December 2014 remain stable until maturity or settlement, a 100 basis point increase in interest rates would decrease the Entity's financial value by €16,002 thousand (€364 thousand increase in 2013). A 100 basis point decline in interest rates would increase the Entity's financial value the following year by €29,407 thousand (€10,010 thousand in 2013).

The main assumptions used to determine the above amounts were:

- Maintaining customer spreads in loan and deposit transactions.
- Effect of minimum rates on rate renewals.
- The reviews were made starting in the second month.
- Evolution of the Entity's balance sheet in line with past years.
- Maintaining of the current structure of references used.
- On-demand liabilities considered to be of low sensitivity and term liabilities considered to be eight times more sensitive.
- Forecast of movements in interest rates discounted by the market at the date the reports were prepared.

#### b.2) Price risk

This risk is defined as that which arises from changes in market prices, other than the two previous categories, due either to factors specific to the instrument itself or to factors that affect all instruments traded in the market. Given the small size of the trading portfolio, the mechanism that is used as the risk measurement instrument is a comparison against monthly market values. Exposure is also estimated at the time the product is acquired as well as when considered necessary using the VaR method.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

VaR (Value at Risk) is defined as the maximum likely loss at a certain confidence level over a specified time horizon. The Entity currently measures this risk for the various portfolios in the Treasury and Capital Market area as well as for the overall positions maintained in the markets. VaR is also calculated taking into consideration the various risk factors that affect the Entity's positions, identifying the highest concentration of risk by factor.

Market Risk, in terms of monthly VaR for the financial instrument portfolios at 31 December 2014 totals €3,647 thousand for the investment fund portfolio (€497 thousand in 2013) and €5,073 thousand for the fixed-income portfolio (€13,175 thousand in 2013).

The Parent Entity is using a co-variance matrix with a 99% confidence level and a time horizon of 1 month.

#### b.3) Exchange rate risk

The Group does not have significant exposure to exchange rate risk at the reference dates in the consolidated annual accounts.

#### c) Liquidity risk

This risk reflects the possible difficulties for the Group to have available, or to have access to, liquid funds, of sufficient amount and at appropriate cost for meeting its payment obligations at all times. The body responsible for supervising liquidity risk at the Entity is the Asset and Liability Committee.

The measures used to control liquidity risk when managing the balance sheet are the Liquidity Profile Ratio and the Dynamic Liquidity Gap.

The Liquidity Profile Ratio compares available liquid assets available for sale (after applying discounts and all appropriate adjustments) against all due liabilities, including contingencies. This ratio shows the Group's capacity to provide an immediate response to the commitments it has assumed.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The breakdown of financial instruments by residual maturity terms at 31 December 2014 and 2013 is set out below. The maturity dates that have been taken into consideration to create the accompanying table are the contractual maturity or cancellation dates:

|  |                    | Thousand euro      |                              |                               |                             |                       |                          |   |                  |  |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------------|-----------------------|--------------------------|---|------------------|--|
| 2014                                       | On demand          | Up to 1 month      | Between 1 month and 3 months | Between 3 months and 6 months | Between 6 months and 1 year | Between 1 and 5 years | More than 5 years of age | Maturity indeterminate and unclassified | Total            |  |
| <b>Assets</b>                              |                    |                    |                              |                               |                             |                       |                          |   |                  |  |
| Cash and deposits at central banks         | 120,201            | -                  | -                            | -                             | -                           | -                     | -                        | -                                       | 120,201          |  |
| Bank deposits                              | -                  | 1,267,661          | 25,000                       | -                             | 25,000                      | 64,000                | -                        | 4,358                                   | 1,386,019        |  |
| Customer loans                             | -                  | 78,027             | 66,217                       | 83,134                        | 192,563                     | 778,599               | 1,588,725                | (2,329)                                 | 2,784,936        |  |
| Debt securities                            | -                  | 66,939             | 21,049                       | 294,154                       | 374,175                     | 925,732               | 192,075                  | 145,517                                 | 2,019,641        |  |
| Other                                      | -                  | -                  | -                            | -                             | -                           | -                     | -                        | 358,216                                 | 358,216          |  |
| <b>Total</b>                               | <b>120,201</b>     | <b>1,412,627</b>   | <b>112,266</b>               | <b>377,288</b>                | <b>591,738</b>              | <b>1,768,331</b>      | <b>1,780,800</b>         | <b>505,762</b>                          | <b>6,669,013</b> |  |
| <b>Liabilities</b>                         |                    |                    |                              |                               |                             |                       |                          |   |                  |  |
| Deposits at central banks                  | -                  | 455,000            | -                            | -                             | -                           | -                     | -                        | 438,725                                 | 893,725          |  |
| Deposits at credit institutions            | -                  | 627,027            | 3,500                        | -                             | -                           | 1,043                 | 8,528                    | 176                                     | 640,274          |  |
| Customer deposits                          | 1,767,453          | 892,364            | 404,952                      | 552,598                       | 831,417                     | 214,088               | 50                       | (642)                                   | 4,662,280        |  |
| Debts represented by marketable securities | -                  | -                  | -                            | -                             | -                           | -                     | -                        | -                                       | -                |  |
| Other                                      | -                  | -                  | -                            | -                             | -                           | -                     | -                        | 472,734                                 | 472,734          |  |
| <b>Total</b>                               | <b>1,767,453</b>   | <b>1,974,391</b>   | <b>408,452</b>               | <b>552,598</b>                | <b>831,417</b>              | <b>215,131</b>        | <b>8,578</b>             | <b>910,993</b>                          | <b>6,669,014</b> |  |
| <b>Gap</b>                                 | <b>(1,647,252)</b> | <b>(561,764)</b>   | <b>(296,186)</b>             | <b>(175,310)</b>              | <b>(239,679)</b>            | <b>1,553,200</b>      | <b>1,772,222</b>         | <b>(405,231)</b>                        | <b>-</b>         |  |
| <b>Cumulative gap</b>                      | <b>(1,647,252)</b> | <b>(2,209,016)</b> | <b>(2,505,202)</b>           | <b>(2,680,512)</b>            | <b>(2,920,191)</b>          | <b>(1,366,991)</b>    | <b>405,231</b>           | <b>-</b>                                | <b>-</b>         |  |
|  |                    | Thousand euro      |                              |                               |                             |                       |                          |   |                  |  |
| 2013 (*)                                   | On demand          | Up to 1 month      | Between 1 month and 3 months | Between 3 months and 6 months | Between 6 months and 1 year | Between 1 and 5 years | More than 5 years of age | Maturity indeterminate and unclassified | Total            |  |
| <b>Assets</b>                              |                    |                    |                              |                               |                             |                       |                          |   |                  |  |
| Cash and deposits at central banks         | 111,662            | -                  | -                            | -                             | -                           | -                     | -                        | -                                       | 111,662          |  |
| Bank deposits                              | 856                | 1,072,721          | 70,613                       | 20,703                        | 90,380                      | 65,000                | -                        | 3,969                                   | 1,324,242        |  |
| Customer loans                             | -                  | 365,844            | 666,100                      | 1,011,716                     | 179,736                     | 96,016                | 27,281                   | 29,641                                  | 2,376,334        |  |
| Debt securities                            | -                  | 23,294             | 66,078                       | 155,472                       | 53,900                      | 745,429               | 303,415                  | 70,483                                  | 1,418,071        |  |
| Other                                      | -                  | -                  | -                            | -                             | -                           | -                     | -                        | 245,670                                 | 245,670          |  |
| <b>Total</b>                               | <b>112,518</b>     | <b>1,461,859</b>   | <b>802,791</b>               | <b>1,187,891</b>              | <b>324,016</b>              | <b>906,445</b>        | <b>330,696</b>           | <b>349,763</b>                          | <b>5,475,979</b> |  |
| <b>Liabilities</b>                         |                    |                    |                              |                               |                             |                       |                          |   |                  |  |
| Deposits at central banks                  | -                  | 730,000            | -                            | -                             | -                           | -                     | -                        | 7,719                                   | 737,719          |  |
| Deposits at credit institutions            | -                  | 585,271            | 6,000                        | -                             | 2,500                       | 2,099                 | 9,279                    | 344                                     | 605,493          |  |
| Customer deposits                          | 1,499,041          | 452,735            | 327,250                      | 474,613                       | 596,821                     | 359,789               | 246                      | 9,099                                   | 3,719,594        |  |
| Debts represented by marketable securities | -                  | 515                | -                            | -                             | -                           | -                     | -                        | 14                                      | 529              |  |
| Other                                      | -                  | -                  | -                            | -                             | -                           | -                     | -                        | 412,644                                 | 412,644          |  |
| <b>Total</b>                               | <b>1,499,041</b>   | <b>1,768,521</b>   | <b>333,250</b>               | <b>474,613</b>                | <b>599,321</b>              | <b>361,888</b>        | <b>9,525</b>             | <b>429,820</b>                          | <b>5,475,979</b> |  |
| <b>Gap</b>                                 | <b>(1,386,523)</b> | <b>(306,662)</b>   | <b>469,541</b>               | <b>713,278</b>                | <b>(275,305)</b>            | <b>544,557</b>        | <b>321,171</b>           | <b>(80,057)</b>                         | <b>-</b>         |  |
| <b>Cumulative gap</b>                      | <b>(1,386,523)</b> | <b>(1,693,185)</b> | <b>(1,223,644)</b>           | <b>(510,366)</b>              | <b>(785,671)</b>            | <b>(241,114)</b>      | <b>80,057</b>            | <b>-</b>                                | <b>-</b>         |  |

(\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had retroactive effects for 2013 and 2012 and as a result the profit for the year at 31 December 2013 is €3,223 thousand (Note 2.c), which therefore does not coincide with the amount approved by the General Assembly on 4 April 2014.

In accordance with past experience, the average expected period for the cancellation of the Group's assets is 3.7 years at 31 December 2014 (4 years at 31 December 2013).

The Group applies criteria of maximum prudence when managing its liquidity and attempts not only to minimise the cost but also to avoid concentrations in time or markets.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In the case of the Parent Entity, as a credit institution focusing on retail banking, this risk arises mainly due to the existence of a very significant volume of liabilities (on-demand customer deposits) whose repayment is uncertain although the entity's past experience shows very stable behaviour over time with respect to this group of liabilities.

#### d) Fair value of financial instruments

This risk relates to the changes that arise in the fair value of financial instruments, as is defined in Note 3.f).

As is described in Note 3.f), except for the financial instruments classified under the headings "Loan investments" and "Held-to-maturity investment portfolio" and for those equity instruments whose fair value cannot be reliably estimated, or derivative instruments that have such equity instruments as the underlying asset, the Entity's financial assets are recognized in the balance sheet at their fair value.

Similarly, except for the financial liabilities recognized under the heading of "Financial liabilities at amortized cost", the rest of the financial liabilities are recognized at their fair value in the balance sheet.

Given that most of the financial assets and liabilities recognized in the headings "Loan investments" and "Financial liabilities at amortized cost" are variable rate items that are revised at least on an annual basis, the Directors believe that their fair value does not differ from values at which they are recognized in the balance sheet, considering that they only take into account the effects of changes in interest rates. Fixed-rate assets and liabilities not associated with fair value hedge situations that are recognized under these headings mainly have residual maturity dates of less than one year and therefore any changes in their fair value as a result of movements in market interest rates would not be significant.

The following table summarizes the fair value and carrying value of the various financial asset and liability portfolios that are not recognized at fair value in the accompanying balance sheet:

|   | Thousand euro   |           |            |           |
|---|-----------------|-----------|------------|-----------|
|   | Carrying amount |           | Fair value |           |
|   | 2014            | 2013      | 2014       | 2013      |
| <u>Financial assets</u>                 |                 |           |            |           |
| Available-for-sale financial assets     |                 |           |            |           |
| Other equity instruments (*)            | 3,554           | 16,396    | -          | -         |
| Loan investments                        | 4,152,878       | 3,700,576 | 4,152,878  | 3,700,576 |
| <u>Financial liabilities</u>            |                 |           |            |           |
| Financial liabilities at amortised cost | 6,229,955       | 5,093,410 | 6,229,955  | 5,093,410 |

(\*) Investments that the Parent Entity has recognized at cost since it is not possible to reliably determine their fair value (Note 9.2)

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The breakdown of the fair value of the various financial asset portfolios (excluding loan investments and investments held-to-maturity), indicating the method of calculating their fair value, is as follows at 31 December 2014 and 2013:

|   | Thousand euro    |                  |
|---|------------------|------------------|
|   | Fair value       |                  |
|   | 2014             | 2013             |
| Financial instruments at fair value based on published price quotes on active markets.                    |                  |                  |
| Available-for-sale debt securities (Note 9.1)   | 1,952,305        | 1,361,925        |
| Financial instruments measured at fair value (Note 9.2)   | 236,722          | 121,891          |
| <b>Total</b>  | <b>2,189,027</b> | <b>1,483,816</b> |
| Financial instruments at fair value based on a measurement technique supported by observable market data. |                  |                  |
| Other financial assets at fair value through profit or loss (Note 7)                                      | 45,413           | 16,146           |
| Derivatives – assets (Note 8)   | 269              | -                |
| <b>Total</b>  | <b>45,682</b>    | <b>16,146</b>    |

The effect on the income statement heading "Profit on financial transactions" (note 27) by changes in the fair value of financial instruments, based on the technique used to measure their fair value, is set out below.

|   | Thousand euro |        |
|---|---------------|--------|
|   | 2014          | 2013   |
| Financial instruments at fair value based on published price quotes on active markets.                    |               |        |
| Available-for-sale financial assets   | 24,501        | 11,894 |
| Financial instruments at fair value based on a measurement technique supported by observable market data. |               |        |
| Trading portfolio   | 60            | -      |
| Other financial instruments at fair value through changes in profit or loss                               | (8,054)       | 3,880  |
| Other   | 350           | 1      |

The fair value of the Group's financial instruments has been determined using the listed market prices for identical assets or liabilities that the Group has accessed at each of the measurement dates (Tier 1), except for the portfolio "Other financial assets at fair value through changes in profit or loss" (Note 8) for which the fair value has been calculated using data other than the listed prices included in Tier 1 that are directly or indirectly observable for assets or liabilities (Tier 2).

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 6. CASH AND DEPOSITS AT CENTRAL BANKS

The composition of the heading "Cash and deposits at central banks" in the accompanying consolidated balance sheet at 31 December 2014 and 2013 is as follows:

|                           | <b>Thousand euro</b> |                |
|---------------------------|----------------------|----------------|
|                           | <b>2014</b>          | <b>2013</b>    |
| Cash on hand              | 23,741               | 21,782         |
| Deposits at Bank of Spain |                      |                |
| Other deposits            | 96,459               | 89,876         |
| Measurement adjustments   |                      |                |
| Accrued interest          | 1                    | 4              |
| <b>Total</b>              | <b>120,201</b>       | <b>111,662</b> |

The account maintained at the Bank of Spain is subject to compliance with the minimum reserve ratio which at 31 December 2014 and 2013 is set at 1% of eligible liabilities, in accordance with current legislation. At 31 December 2014 and 2013 the Entity complies with those ratios.

The interest accrued in 2014 on the account maintained at the Bank of Spain totalled €51 thousand (€142 thousand in 2013), and the average yield was 0.15% and 0.54% in 2014 and 2013, respectively, Note 27).

For the purposes of preparing the cash flow statement, the Group has considered the balance in this balance sheet having to be "Cash and cash equivalents".

#### 7. TRADING PORTFOLIO AND HEDGE DERIVATIVES

##### Trading portfolio

At 31 December 2014 and 31 December 2013 the Group does not have any assets in the Trading portfolio.

##### Hedge derivatives

At 31 December 2014 and 2013 contracted derivatives designated as hedging and the items hedged are mainly as follows:

- Interest Rate Swaps, which hedge mortgage loans issued by the Savings Bank. The Interest rate swap was issued by Banco Cooperativo Español, S.A.

The measurement methods used to determine the fair value of the OTC derivatives have been the discounted cash flow method to measure interest rate derivatives. The listed price for official market transactions has been considered to be an indicator of their fair value.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below is a breakdown by type of product, fair value and notional value of those derivatives designated as hedging instruments in cash flow hedging operations at 31 December 2014 and 2013:

|                                | Thousand euro       |                |            |             |            |             |
|--------------------------------|---------------------|----------------|------------|-------------|------------|-------------|
|                                | Notional            |                | Fair value |             | Fair value |             |
|                                | Memorandum accounts |                | Assets     | Liabilities | Assets     | Liabilities |
|                                | 2014                | 2013           | 2014       | 2014        | 2013       | 2013        |
| <u>By market rate</u>          |                     |                |            |             |            |             |
| UNORGANIZED MARKETS            | 376,285             | 392,228        | 269        | -           | -          | -           |
| <u>By product type</u>         |                     |                |            |             |            |             |
| Term operations                | -                   | -              | -          | -           | -          | -           |
| Swaps                          | 376,285             | 392,228        | 269        | -           | -          | -           |
| Options                        | -                   | -              | -          | -           | -          | -           |
| Other products                 | -                   | -              | -          | -           | -          | -           |
| <b>Total</b>                   | <b>376,285</b>      | <b>392,228</b> | <b>269</b> | <b>-</b>    | <b>-</b>   | <b>-</b>    |
| <u>By counterparty</u>         |                     |                |            |             |            |             |
| Credit institutions. Residents | 376,285             | 392,228        | 269        | -           | -          | -           |
| <b>Total</b>                   | <b>376,285</b>      | <b>392,228</b> | <b>269</b> | <b>-</b>    | <b>-</b>   | <b>-</b>    |
| <u>By remaining term</u>       |                     |                |            |             |            |             |
| Up to 1 year                   | -                   | -              | -          | -           | -          | -           |
| From 1 to 5 years              | -                   | -              | -          | -           | -          | -           |
| More than 5 years of age       | 376,285             | 392,228        | 269        | -           | -          | -           |
| <b>Total</b>                   | <b>376,285</b>      | <b>392,228</b> | <b>269</b> | <b>-</b>    | <b>-</b>   | <b>-</b>    |
| <u>By type of hedged risk</u>  |                     |                |            |             |            |             |
| Interest rate risk             | 376,285             | 392,228        | 269        | -           | -          | -           |
| <b>Total</b>                   | <b>376,285</b>      | <b>392,228</b> | <b>269</b> | <b>-</b>    | <b>-</b>   | <b>-</b>    |

The notional amount of the contracts executed does not represent the real amount assumed by the Entity in relation to such instruments.

The Group applies fair value hedge accounting mainly to those operations where it is exposed to changes in the fair value of certain assets and liabilities which are sensitive to interest rate fluctuations, i.e., mainly assets and liabilities linked to a fixed interest rate, which is transformed into variable interest through the relevant hedging instruments.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

The breakdown of this balance sheet asset heading at 31 December 2014 and 2013, classified by nature, is as follows:

|                                    | Thousand euro |               |
|------------------------------------|---------------|---------------|
|                                    | 2014          | 2013          |
| Hybrid financial assets            |               | -             |
| Secured capital                    | 27,335        | 16,146        |
| With an embedded credit derivative | -             | -             |
| Other                              | 18,078        | -             |
| Value adjustments for impairment   | -             | -             |
| <b>Total</b>                       | <b>45,413</b> | <b>16,146</b> |

During 2014 the Group obtained income from this portfolio totalling €497 thousand (€678 thousand in income in 2013), recognized in the heading Interest and similar yields in the consolidated income statement.

The financial assets recognized in this heading relate to debt instruments that include an embedded derivative that the Group has decided not separate, recognizing the instrument in full at its fair value through changes in profit or loss.

The average yield on the assets classified into this portfolio was 1.89% and 4.80% in 2014 and 2013, respectively.

The breakdown by remaining maturity periods in this heading is described in Note 5.c) on Liquidity Risk.

#### 9. AVAILABLE FOR SALE FINANCIAL ASSETS

An analysis of this asset heading in the accompanying consolidated balance sheet is as follows:

|                          | Thousand euro    |                  |
|--------------------------|------------------|------------------|
|                          | 2014             | 2013             |
| Debt securities          | 1,952,305        | 1,361,925        |
| Other equity instruments | 240,276          | 138,287          |
| <b>Total</b>             | <b>2,192,581</b> | <b>1,500,212</b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 9.1. Debt securities

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

|   | <b>Thousand euro</b> |                  |
|---|----------------------|------------------|
|   | <b>2014</b>          | <b>2013</b>      |
| Spanish Public Administrations                | 1,419,254            | 919,403          |
| Resident and non-resident credit institutions | 407,269              | 326,762          |
| Other resident sectors                        | 126,307              | 115,863          |
| Other non-resident sectors                    | -                    | -                |
| Value adjustments for impairment              | (525)                | (103)            |
| <b>Total</b>                                  | <b>1,952,305</b>     | <b>1,361,925</b> |

The interest accrued in 2014 on debt securities totalled €45,903 thousand (€48,371 thousand in 2013) (Note 27), and the average yield was 3.13% and 3.90% in 2014 and 2013, respectively.

Of those assets and those acquired from credit institutions under repurchase agreements (Note 10.1) the Group has not assigned any effective amount to customers at 31 December 2014. At 31 December 2013 the Group had assigned an effective amount of €14,229 thousand to customers (Note 17.3).

The breakdown by remaining maturity periods in this heading is described in Note 5.c) on Liquidity Risk.

Movements during the year in debt securities are as follows:

|                                    | <b>Thousand euro</b> |
|------------------------------------|----------------------|
| <b>Balance at 31 December 2013</b> | <b>1,361,925</b>     |
| Additions                          | 1,057,587            |
| Disposals                          | (509,588)            |
| Measurement adjustments            | 42,803               |
| Value adjustments for impairment   | (422)                |
| <b>Balance at 31 December 2014</b> | <b>1,952,305</b>     |

At 31 December 2014 the nominal pledged amounts in this portfolio totalled €942,931 thousand to secure Monetary Policy transactions and €35,050 thousand to secure transactions with Bolsas y Mercados Españoles (BME) - Clearing. At 31 December 2013 the nominal pledged amounts in this portfolio totalled €876,867 thousand to secure Monetary Policy transactions and €20,000 thousand to secure transactions with Bolsas y Mercados Españoles (BME) - Clearing.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 9.2 Other equity instruments

The breakdown of the balance at 31 December 2014 and 2013 of this heading, based on the issuer's activity sector, is as follows:

|                            | <b>Thousand euro</b> |                |
|----------------------------|----------------------|----------------|
|                            | <b>2014</b>          | <b>2013</b>    |
| From credit institutions   | 2,735                | 11,299         |
| Other resident sectors     | 7,597                | 79,033         |
| Other non-resident sectors | 229,944              | 47,955         |
| <b>Total</b>               | <b>240,276</b>       | <b>138,287</b> |

At the end of 2014 and 2013 the heading "Other equity instruments" presents the following composition, based on whether or not the included shares are listed for trading or not, as well as the percentage that they represent compared with the total:

|                         | <b>Thousand euro</b> |                   |                |                   |
|-------------------------|----------------------|-------------------|----------------|-------------------|
|                         | <b>2014</b>          |                   | <b>2013</b>    |                   |
|                         | <b>Amount</b>        | <b>% of total</b> | <b>Amount</b>  | <b>% of total</b> |
| Listed                  | 236,722              | 99%               | 121,891        | 88%               |
| Cost                    | 231,736              | -                 | 121,546        | -                 |
| Measurement adjustments | 4,986                | -                 | 345            | -                 |
| Impairment              | -                    | -                 | -              | -                 |
| Not listed              | 3,554                | 1%                | 16,396         | 12%               |
| Cost                    | 5,122                | -                 | 17,964         | -                 |
| Impairment              | (1,568)              | -                 | (1,568)        | -                 |
| <b>Total</b>            | <b>240,276</b>       | <b>100%</b>       | <b>138,287</b> | <b>100%</b>       |

Investments considered to be listed mainly include shares in domestic and international investment funds.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The breakdown of the investments classified into this portfolio that the Group has recognized at cost instead of at fair value, since it is not possible to reliably determine their fair value in accordance with the requirements established by Circular 4/2004, is as follows:

| <u>Company</u>                            | <u>Thousand euro</u> |               |
|---|----------------------|---------------|
|   | <u>2014</u>          | <u>2013</u>   |
| Banco Cooperativo Español                 | -                    | 9,497         |
| Rural Grupo Asegurador (**)               | -                    | 2,816         |
| Rural Servicios Informáticos (**)         | -                    | 1,533         |
| Espiga, Sociedad de Capital Riesgo        | 58                   | 289           |
| Colegio Mayol (*)                         | 600                  | 600           |
| NCG Banco                                 | 2,091                | 2,091         |
| Caja Rural de Jaén                        | 531                  | 531           |
| Acc. Aval Castilla La Mancha              | 750                  | 405           |
| Nessa Global Banking Solutions, S.A. (**) | -                    | 103           |
| Banco de Crédito Social Cooperativo, S.A. | 1,000                | -             |
| Docalia, S.L. (**)                        | -                    | 60            |
| SERVIRED                                  | 18                   | 18            |
| Redsys                                    | 14                   | 14            |
| Espiga Equity Partners                    | 53                   | -             |
| Toletum Visigodo, S.L.                    | 7                    | 7             |
| Logipostal                                | 1                    | 1             |
| Impairment adjustments                    | (1,568)              | (1,568)       |
|   | <b>3,554</b>         | <b>16,396</b> |

(\*) This shareholding, which was acquired in 2006, is associated with the Education and Development (Note 23).

(\*\*) The sale of the shareholdings generated a net profit of €11,151 thousand which was recorded in the heading "Results on financial transactions (net) - Financial instruments not measured at fair value through changes in profit and loss".

The Group determines the existence of any impairment affecting these investments on an annual basis using the latest theoretical carrying value that is available.

On 1 October 2014 the Entity sold 75,720 shares in Banco Cooperativo Español, S.A. for a price of €15,851 thousand, 9,952 shares in Docalia S.L. for a price of €168 thousand, 301,248 shares in Rural Grupo Asegurador for a price of €7,518 thousand, 10,329 shares in Nessa Global Banking Solutions, S.A. for a price of €89 thousand and 103,961 shares in Rural Servicios Informáticos, S.C. for a price of €1,533 thousand. The sale of the shares generated a net profit of €11,151 thousand, recognized in the heading Result on financial transactions (net) in the accompanying consolidated income statement for 2014 (Note 27).

The Group's parent entity received dividends for assets assigned to the portfolio measured at cost and the portfolio measured at fair value totalling €381 thousand and €541 thousand in 2014 and 2013, respectively, which are recorded under the heading "Yield on equity instruments" in the accompanying consolidated income statement.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Movements during the year in Other equity instruments are as follows:

|                                    | <u>Thousand euro</u>  |
|------------------------------------|-----------------------|
| <b>Balance at 31 December 2013</b> | <b><u>138,287</u></b> |
| Additions                          | 313,701               |
| Disposals                          | (217,721)             |
| Measurement adjustments            | 6,009                 |
| Value adjustments for impairment   | <u>-</u>              |
| <b>Balance at 31 December 2014</b> | <b><u>240,276</u></b> |

#### 9.3 Impairment losses

The breakdown of impairment losses recognized by the Group at the end of 2014 and 2013 with respect to assets in the Available-for-sale financial asset portfolio is as follows:

|  | <u>Thousand euro</u> |                     |
|--|----------------------|---------------------|
|  | <u>2014</u>          | <u>2013</u>         |
| Beginning balance                      | 1,671                | 503                 |
| Net provision (recovery) for the year- | <u>422</u>           | <u>1,168</u>        |
| <b>Ending balance</b>                  | <b><u>2,093</u></b>  | <b><u>1,671</u></b> |

The aforementioned amounts include €422 thousand and €103 thousand for the general allocation of debt securities classified in the category of Available-for-sale financial assets" in 2014 and 2013, respectively.

The breakdown of the heading "Measurement Adjustments" in equity at 31 December 2014 and 2013 resulting from changes in the fair value of the assets included in this portfolio is as follows:

|                          | <u>Thousand euro</u> |                      |
|--------------------------|----------------------|----------------------|
|                          | <u>2014</u>          | <u>2013</u>          |
| Debt securities          | 64,018               | 33,302               |
| Other equity instruments | <u>3,501</u>         | <u>241</u>           |
| <b>Total</b>             | <b><u>67,519</u></b> | <b><u>33,543</u></b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Movements in the heading "Measurement adjustments" in equity due to the transactions securities classified as "available-for-sale" and through changes in fair value, were as follows:

|                                 | <b>Thousand euro</b> |               |
|---------------------------------|----------------------|---------------|
|                                 | <b>2014</b>          | <b>2013</b>   |
| Beginning balance               | 33,543               | 11,134        |
| Measurement gains / (losses)    | 59,386               | 45,636        |
| Transferred to income statement | (14,084)             | (15,757)      |
| Tax effect                      | (11,326)             | (7,470)       |
| <b>Ending balance</b>           | <b>67,519</b>        | <b>33,543</b> |

The breakdown of this portfolio by residual maturity periods is included in Note 5.c).

#### 10. LOANS AND RECEIVABLES

The analysis of this consolidated balance sheet asset heading 31 December 2014 and 2013 is as follows:

|                | <b>Thousand euro</b> |                  |
|----------------|----------------------|------------------|
|                | <b>2014</b>          | <b>2013</b>      |
| Bank deposits  | 1,367,942            | 1,324,242        |
| Customer loans | 2,784,936            | 2,376,334        |
| <b>Total</b>   | <b>4,152,878</b>     | <b>3,700,576</b> |

##### 10.1 Deposits at credit institutions

This heading breaks down as follows based on the nature of the instrument:

|                         | <b>Thousand euro</b> |                  |
|-------------------------|----------------------|------------------|
|                         | <b>2014</b>          | <b>2013</b>      |
| Term deposits           | 144,686              | 245,107          |
| Repos                   | 19,747               | 17,143           |
| Other accounts          | 1,200,370            | 1,058,041        |
| Measurement adjustments |                      |                  |
| Accrued interest        | 3,139                | 3,951            |
| <b>Total</b>            | <b>1,367,942</b>     | <b>1,324,242</b> |

Banco Cooperativo Español, S.A. and Rural Savings Banks and Credit Cooperatives associated with that entity have concluded agreements under which the associated entities assign funds to Banco Cooperativo Español, S.A. so that it may exclusively invest them in the inter-bank market or money market, and the associated entities are jointly liable for any losses that may arise as a result of those investments.

At 31 December 2014 and 2013, the Entity maintains on-demand funds relating to those agreements totalling €1,095,431 thousand and €925,343 thousand, respectively, which are recorded under "Other accounts".

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The liability assumed by the Entity under these agreements totals €83,746 thousand and €120,087 thousand at 31 December 2014 and 2013, respectively. Those amounts are presented under the heading "Other contingent risks" in the memorandum accounts (Note 19.1).

The breakdown by remaining maturity periods in this heading is described in Note 5.c).

The average annual interest rate in 2014 and 2013 on deposits from credit institutions was 0.93% and 1.80%, respectively.

#### 10.2 Customer loans

The breakdown of this heading in the accompanying consolidated balance sheet, based on the type and status of the loan, interest rate, currency and the counterparty's sector, is set out below:

|                                | <b>Thousand euro</b> |                  |
|--------------------------------|----------------------|------------------|
|                                | <b>2014</b>          | <b>2013</b>      |
| By loan type and status:       |                      |                  |
| Commercial portfolio           | 39,357               | 46,359           |
| Secured loans                  | 2,218,499            | 1,829,801        |
| Other receivables              | 515,783              | 466,797          |
| Finance leases                 | 5,386                | 4,822            |
| Loans on demand and other      | 21,921               | 26,851           |
| Doubtful assets                | 96,665               | 97,460           |
| Measurement adjustments        | (112,675)            | (95,756)         |
| <b>Total</b>                   | <b>2,784,936</b>     | <b>2,376,334</b> |
| By depositor sector:           |                      |                  |
| Spanish Public Administrations | 161,526              | 138,008          |
| Other resident sectors         | 2,623,410            | 2,237,686        |
| Other non-resident sectors     | -                    | 640              |
| <b>Total</b>                   | <b>2,784,936</b>     | <b>2,376,334</b> |
| By type of interest rate       |                      |                  |
| Fixed interest rate            | 216,034              | 282,607          |
| Variable rate                  | 2,568,902            | 2,093,727        |
| <b>Total</b>                   | <b>2,784,936</b>     | <b>2,376,334</b> |
| By currency                    |                      |                  |
| In euro                        | 2,784,936            | 2,376,334        |
| in foreign currency            | -                    | -                |
| <b>Total</b>                   | <b>2,784,936</b>     | <b>2,376,334</b> |

The breakdown by remaining maturity periods in this heading is described in Note 5.c).

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

"Receivables secured by real guarantees" includes €2,202,587 thousand in secured mortgage loans at 31 December 2014 (€1,814,241 thousand at 31 December 2013). The figure under "Other receivables" includes subordinated loans totalling €21,619 thousand at 31 December 2014 (€21,619 thousand at 31 December 2013) and an amount of personal loans and credit facilities at 31 December 2014 totalling €494,164 thousand (€445,178 thousand 31 December 2013).

Doubtful assets that have loan collateral at 31 December 2014 and 2013 are as follows:

|      | <b>Thousand<br/>euro</b> |
|------|--------------------------|
| 2014 | <u>94,538</u>            |
| 2013 | <u>94,865</u>            |

The average annual interest rate in 2014 and 2013 was 0.82% and 0.58% respectively.

In 2009 and prior years the Parent Entity securitized customer loan transactions (mortgage loans) whose active balance at 31 December 2014 and 2013 totals €374,636 thousand and €406,179 thousand, respectively. The breakdown of these assets based on whether or not they were cancelled in accordance with the policy described in Note 3.k) is as follows:

|                     | <b>Thousand euro</b>  |                       |
|---------------------|-----------------------|-----------------------|
|                     | <u>2014</u>           | <u>2013</u>           |
| Securitized assets: |                       |                       |
| Loan investments    |                       |                       |
| Cancelled           | 18,207                | 20,752                |
| Not cancelled       | <u>356,429</u>        | <u>385,427</u>        |
| <b>Total</b>        | <b><u>374,636</u></b> | <b><u>406,179</u></b> |

The above assets were transferred to a securitization fund and the Parent Entity retained a significant portion of the risks associated with those assets (credit risk), which is why they have not been eliminated from the balance sheet. The breakdown of the securitized assets that remain on the balance sheet at 31 December 2014 and 2013 with the consideration that a substantial portion of the risks and benefits associated with the transferred financial assets have been retained is set out below:

|   | <b>Thousand euro</b>          |  |  |
|---|-------------------------------|--|--|
|   | <b>Securitized<br/>assets</b> | <b>Balance at<br/>31 December<br/>2014</b> | <b>Balance<br/>at 31<br/>December<br/>2013</b> |
| <u>Assets transferred to:</u>                           |                               |  |  |
| Rural Hipotecario XI, Fondo de Titulización de Activos  | 153,920                       | 96,236                                     | 105,027  |
| Rural Hipotecario XII, Fondo de Titulización de Activos | <u>369,300</u>                | <u>260,193</u>                             | <u>280,400</u>                                 |
| <b>Total</b>  | <b><u>523,220</u></b>         | <b><u>356,429</u></b>                      | <b><u>385,427</u></b>                          |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014 the Parent Entity has bonds issued by the securitization funds in the portfolio to which these assets were transferred for an effective amount of €337,944 thousand (€374,788 thousand in 2013). Subordinated loans were also granted to those funds in the amount of €21,118 thousand at 31 December 2014 (€21,118 thousand at 31 December 2013). At 31 December 2014 and 2013 the amount of those bonds is presented as a net amount in the account "Issued shares" in the heading Customer Deposits in the accompanying consolidated balance sheets (Note 17.3).

The breakdown of the measurement adjustments applied to transactions classified as "Customer loans" is as follows:

|  | <b>Thousand euro</b> |                 |
|--|----------------------|-----------------|
|  | <b>2014</b>          | <b>2013</b>     |
| Measurement adjustments:                 |                      |                 |
| Asset impairment adjustments (Note 10.3) | (105,718)            | (89,446)        |
| Accrued interest                         | 1,450                | 1,465           |
| Fees                                     | (8,407)              | (7,775)         |
| <b>Total</b>                             | <b>(112,675)</b>     | <b>(95,756)</b> |

Movements in 2014 and 2013 in impaired financial assets written off because recovery is considered remote are as follows:

|   | <b>Thousand euro</b> |
|---|----------------------|
| <b>Balance at 31 December 2012</b>                      | <b>40,168</b>        |
| Additions   |                      |
| Remote recovery   | 7,993                |
| For other reasons                                       | 3,202                |
| Recoveries  |                      |
| Collection in cash without additional financing         | (1,345)              |
| Condoned and other                                      | -                    |
| <b>Balance at 31 December 2013</b>                      | <b>50,018</b>        |
| Additions   |                      |
| Remote recovery   | 6,688                |
| For other reasons                                       | 2,959                |
| Recoveries  |                      |
| Collection in cash without additional financing         | (989)                |
| Due to the foreclosure of property, plant and equipment | (859)                |
| Condoned and other                                      | -                    |
| <b>Balance at 31 December 2014</b>                      | <b>57,817</b>        |

The amount of accumulated financial and other income not recognized in the income statement in 2014 and 2013 from impaired customer loans totals €2,959 thousand and €3,202 thousand, respectively.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The classification by age of unimpaired mature assets yet to be collected is as follows:

| <b>2014</b>   | <b>Up to 6 months</b> | <b>Between 6 and 9 months</b> | <b>Between 9 and 12 months</b> | <b>Over 12 months</b> | <b>Total</b>  |
|---|-----------------------|-------------------------------|--------------------------------|-----------------------|---------------|
| Transactions originated without appreciable risk                                  | 82                    | -                             | -                              | -                     | 82            |
| Operations not secured by real property guarantee                                 | 10,048                | 4,575                         | 1,244                          | 15,620                | 31,487        |
| Operations secured by real property guarantees on finished residential properties | 15,426                | 6,708                         | 3,408                          | 23,219                | 48,761        |
| Other operations secured by real property guarantees                              | 10,297                | 1,153                         | 956                            | 3,929                 | 16,335        |
| With a partial pledge guarantee   | -                     | -                             | -                              | -                     | -             |
|   | <b>35,853</b>         | <b>12,436</b>                 | <b>5,608</b>                   | <b>42,768</b>         | <b>96,665</b> |

| <b>2013</b>   | <b>Up to 6 months</b> | <b>Between 6 and 9 months</b> | <b>Between 9 and 12 months</b> | <b>Over 12 months</b> | <b>Total</b>  |
|---|-----------------------|-------------------------------|--------------------------------|-----------------------|---------------|
| Transactions originated without appreciable risk                                  | 80                    | -                             | -                              | -                     | 80            |
| Operations not secured by real property guarantee                                 | 12,905                | 3,155                         | 2,328                          | 12,399                | 30,787        |
| Operations secured by real property guarantees on finished residential properties | 13,610                | 5,256                         | 3,870                          | 25,328                | 48,064        |
| Other operations secured by real property guarantees                              | 8,836                 | 408                           | 2,945                          | 6,155                 | 18,344        |
| With a partial pledge guarantee   | -                     | -                             | -                              | 185                   | 185           |
|   | <b>35,431</b>         | <b>8,819</b>                  | <b>9,143</b>                   | <b>44,067</b>         | <b>97,460</b> |

The classification by age of unimpaired mature assets yet to be collected is as follows:

| <b>2014</b>   | <b>Thousand euro</b>     |                               |                               | <b>Total</b> |
|---|--------------------------|-------------------------------|-------------------------------|--------------|
|   | <b>Less than 1 month</b> | <b>Between 1 and 2 months</b> | <b>Between 2 and 3 months</b> |              |
| Operations not secured by real property guarantee                                 | 2,935                    | 722                           | 528                           | 4,185        |
| Operations secured by real property guarantees on finished residential properties | 1,150                    | 593                           | 15                            | 1,758        |
| Other operations secured by real property guarantees                              | 486                      | 166                           | -                             | 652          |
| With a partial pledge guarantee   | -                        | -                             | -                             | -            |
| <b>Total</b>  | <b>4,571</b>             | <b>1,481</b>                  | <b>543</b>                    | <b>6,595</b> |

| <b>2013</b>   | <b>Thousand euro</b>     |                               |                               | <b>Total</b> |
|---|--------------------------|-------------------------------|-------------------------------|--------------|
|   | <b>Less than 1 month</b> | <b>Between 1 and 2 months</b> | <b>Between 2 and 3 months</b> |              |
| Operations not secured by real property guarantee                                 | 1,075                    | 530                           | 279                           | 1,884        |
| Operations secured by real property guarantees on finished residential properties | 589                      | 163                           | 104                           | 856          |
| Other operations secured by real property guarantees                              | 5,387                    | 607                           | 313                           | 6,307        |
| With a partial pledge guarantee   | -                        | -                             | -                             | -            |
| <b>Total</b>  | <b>7,051</b>             | <b>1,300</b>                  | <b>696</b>                    | <b>9,047</b> |

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**10.3. Impairment losses**

The breakdown of impairment losses recognized at the end of 2014 and 2013 with respect to assets in the Loan Investment portfolio is as follows:

| 2014  | Thousand euro  |               |                |
|---|----------------|---------------|----------------|
|   | Customer loans |               |                |
|   | Specific       | GENERAL       | Total          |
| <b>Balance at 31 December 2013</b>                            | <b>62,617</b>  | <b>26,829</b> | <b>89,446</b>  |
| Net appropriations against income                             | 29,907         | 3,734         | 33,641         |
| Determined individually                                       | 29,907         | -             | 29,907         |
| Determined collectively                                       | -              | 3,734         | 3,734          |
| Appropriations recovered taken to income                      | (10,322)       | (194)         | (10,516)       |
| Allocations for the year reflected in the income statement.   | 19,585         | 3,540         | 23,125         |
| Elimination of defaulting balances against created provisions | (6,078)        | (148)         | (6,226)        |
| Transfer between funds  | (627)          | -             | (627)          |
| <b>Balance at 31 December 2014</b>                            | <b>75,497</b>  | <b>30,221</b> | <b>105,718</b> |
| 2013  | Thousand euro  |               |                |
|   | Customer loans |               |                |
|   | Specific       | GENERAL       | Total          |
| <b>Balance at 31 December 2012</b>                            | <b>46,349</b>  | <b>17,512</b> | <b>63,861</b>  |
| Net appropriations against income                             | 39,002         | 9,183         | 48,185         |
| Determined individually                                       | 39,002         | -             | 39,002         |
| Determined collectively                                       | -              | 9,183         | 9,183          |
| Appropriations recovered taken to income                      | (13,267)       | (14)          | (13,281)       |
| Allocations for the year reflected in the income statement.   | 25,735         | 9,169         | 34,904         |
| Elimination of defaulting balances against created provisions | (7,460)        | -             | (7,460)        |
| Transfer between funds  | (2,007)        | 148           | (1,859)        |
| <b>Balance at 31 December 2013</b>                            | <b>62,617</b>  | <b>26,829</b> | <b>89,446</b>  |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

During 2014 and 2013 there was a net allocation for defaulting operations totalling €244 thousand and net recoveries totalling €38 thousand, respectively, which are included in the heading "Asset impairment losses (net)-Loan investments" in the accompanying consolidated income statement.

The specific provision includes €29,769 thousand relating to the sub- prime provision (€12,156 thousand in 2013), intended to cover the risks classified in that same category, the active amount of which totals €53,005 thousand (€65,596 thousand in 2013).

The Parent Entity has allocated provisions in accordance with current legislation and has adapted to the regulatory changes that took place in 2013 and 2012. The two Royal Decree-Laws are notable in this respect and relate to loans for construction, developments and land (Royal Decree-Law 2/2012 and Royal Decree-Law 18/2012), and Circular 6/2012 (Note 3.c) that entered into force in 2012 and meant that the Parent Entity had to recognize additional impairment in that year totalling €19,843 thousand, of which €17,510 thousand relates to Loan Investments.

As is mentioned in Note 2.d) at 31 December 2013 the Parent Entity has reassigned the general fund created on the basis of the aforementioned Royal Decree that had yet to be applied and totalled €9,871 thousand. This reassignment did not have any effect on the income statement for 2013.

As is mentioned in Note 5.a) in 2013, the Entity has created additional provisions totalling €6,386 thousand as a result of the review of the adequate classification of refinancing and/or restructuring transactions.

Set out below is an analysis of the heading "Impairment losses-Loan investments" in the income statement at 31 December 2014 and 2013:

|                                  | <b>Thousand euro</b> |               |
|----------------------------------|----------------------|---------------|
|                                  | <b>2014</b>          | <b>2013</b>   |
| Net appropriation for the year   | 23,125               | 34,904        |
| Suspense account items recovered | (410)                | (571)         |
| Assets directly written off      | 654                  | 533           |
|                                  | <b>23,369</b>        | <b>34,866</b> |

#### 11. HELD-TO-MATURITY INVESTMENTS

At the end of 2014 and 2013 the breakdown of the held-to-maturity portfolio is as follows:

|             | <b>Thousand euro</b> |               |
|-------------|----------------------|---------------|
|             | <b>2014</b>          | <b>2013</b>   |
| Other Bonds | <b>40,000</b>        | <b>40,000</b> |

At 31 December 2014 and 2013 the Held-to-maturity investment portfolio consists of a single bond with a nominal amount of €40,000 thousand, maturing on 17 March 2015, and bearing a 5.6% interest rate.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

2014 and 2013 the amount of accrued interest totals €2,240 thousand in both years.

#### 12. SHAREHOLDINGS

At 31 December 2014 and 2013 the Group's shareholding balance is zero. Relevant information regarding interests held in subsidiaries that have been consolidated using the full consolidation method at 31 December 2014 and 2013 is included in Note 1.

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

Set out below is a breakdown of this heading in the consolidated balance sheet at 31 December 2014 and 2013:

|                                  | Thousand euro |             |               |             |
|----------------------------------|---------------|-------------|---------------|-------------|
|                                  | 2014          |             | 2013          |             |
|                                  | Assets        | Liabilities | Assets        | Liabilities |
| Property, plant and equipment    | 35,415        | -           | 29,654        | -           |
| Value adjustments for impairment | (8,851)       | -           | (6,014)       | -           |
| <b>Total</b>                     | <b>26,564</b> | <b>-</b>    | <b>23,640</b> | <b>-</b>    |

The fair value of foreclosed assets calculated by independent experts does not significantly differ from their carrying value.

The movements in this consolidated balance sheet heading in 2014 and 2013 are as follows:

|                                    | Thousand euro |             |
|------------------------------------|---------------|-------------|
|                                    | Assets        | Liabilities |
| <b>Balance at 31 December 2012</b> | <b>29,445</b> | <b>-</b>    |
| Additions                          | 8,867         | -           |
| Disposals                          | (8,658)       | -           |
| <b>Balance at 31 December 2013</b> | <b>29,654</b> | <b>-</b>    |
| Additions                          | 13,150        | -           |
| Disposals                          | (7,389)       | -           |
| <b>Balance at 31 December 2014</b> | <b>35,415</b> | <b>-</b>    |

At 31 December 2014 and 2013 the breakdown of non-current assets for sale is indicated in Note 5.

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### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Movements during 2014 and 2013 relating to measurement adjustments due to the impairment of non-current assets for sale held by the Entity are as follows:

|                          | <u>Thousand euro</u> |                |
|--------------------------|----------------------|----------------|
|                          | <u>2014</u>          | <u>2013</u>    |
| <b>Beginning balance</b> | <b>(6,014)</b>       | <b>(6,155)</b> |
| Allocations (Note 33)    | (4,289)              | (2,761)        |
| Recoveries (Note 33)     | 247                  | 148            |
| Applications (*)         | 1,205                | 2,754          |
| <b>Ending balance</b>    | <b>(8,851)</b>       | <b>(6,014)</b> |

(\*) Relates to applications of the provision as a result of the sale of foreclosed assets.

As is mentioned in Note 2.d), in 2012 the Parent Entity created the companies Viveactivos, S.A.U. and Caja Rural de Castilla-La Mancha, Sociedad de Gestión de Activos, S.A.U., to which it transferred all foreclosed assets or assets received in lieu of payment as referred to by Article 1.1 of Royal Decree-Law 18/2012 (11 May).

#### 14. PROPERTY, PLANT AND EQUIPMENT

Set out below is a breakdown of this heading in the consolidated balance sheet at 31 December 2014 and 2013:

|                   | <u>Thousand euro</u> |               |
|-------------------|----------------------|---------------|
|                   | <u>2014</u>          | <u>2013</u>   |
| Own use           | 42,374               | 39,779        |
| Impairment losses | (722)                | (235)         |
| <b>Total</b>      | <b>41,652</b>        | <b>39,544</b> |

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The breakdown of this heading in the consolidated balance sheet and movements during 2014 and 2013 are shown below:

|                                    | Thousand euro            |   |                  |  |                 |
|------------------------------------|--------------------------|---|------------------|--|-----------------|
| <u>Own use</u>                     | <u>Computer hardware</u> | <u>Furniture, Installations and Other</u> | <u>Buildings</u> | <u>Buildings in course of construction</u> | <u>TOTAL</u>    |
| <u>Cost value</u>                  |                          |   |                  |  |                 |
| <b>Balance at 31.12.12</b>         | <b>8,170</b>             | <b>21,876</b>                             | <b>38,663</b>    | -  | <b>68,709</b>   |
| Additions                          | 788                      | 2,662                                     | 466              | -  | 3,916           |
| Disposals                          | (27)                     | -   | -                | -  | (27)            |
| Transfers                          | 14                       | (14)                                      | -                | -  | -               |
| <b>Balance at 31.12.13</b>         | <b>8,945</b>             | <b>24,524</b>                             | <b>39,129</b>    | -  | <b>72,598</b>   |
| Additions                          | 1,339                    | 2,548                                     | 777              | -  | 4,664           |
| Disposals                          | (17)                     | (6)                                       | -                | -  | (23)            |
| Transfers                          | 201                      | (201)                                     | -                | -  | -               |
| <b>Balance at 31.12.14</b>         | <b>10,468</b>            | <b>26,865</b>                             | <b>39,906</b>    | -  | <b>77,239</b>   |
| <u>Accumulated depreciation</u>    |                          |   |                  |  |                 |
| <b>Balance at 31.12.12</b>         | <b>(6,361)</b>           | <b>(13,743)</b>                           | <b>(11,035)</b>  | -  | <b>(31,139)</b> |
| Additions                          | (502)                    | (839)                                     | (339)            | -  | (1,680)         |
| Disposals                          | -                        | -   | -                | -  | -               |
| Transfers                          | -                        | -   | -                | -  | -               |
| <b>Balance at 31.12.13</b>         | <b>(6,863)</b>           | <b>(14,582)</b>                           | <b>(11,374)</b>  | -  | <b>(32,819)</b> |
| Additions                          | (640)                    | (1,071)                                   | (353)            | -  | (2,064)         |
| Disposals                          | 18                       | -   | -                | -  | 18              |
| Transfers                          | (21)                     | 21  | -                | -  | -               |
| <b>Balance at 31 December 2014</b> | <b>(7,506)</b>           | <b>(15,632)</b>                           | <b>(11,727)</b>  | -  | <b>(34,865)</b> |
| <u>Impairment losses</u>           |                          |   |                  |  |                 |
| <b>Balance at 31.12.12</b>         | -                        | -   | <b>(53)</b>      | -  | <b>(53)</b>     |
| Additions                          | -                        | -   | (182)            | -  | (182)           |
| Disposals                          | -                        | -   | -                | -  | -               |
| Transfers                          | -                        | -   | -                | -  | -               |
| <b>Balance at 31.12.13</b>         | -                        | -   | <b>(235)</b>     | -  | <b>(235)</b>    |
| Additions                          | -                        | -   | (487)            | -  | (487)           |
| Disposals                          | -                        | -   | -                | -  | -               |
| Transfers                          | -                        | -   | -                | -  | -               |
| <b>Balance at 31.12.14</b>         | -                        | -   | <b>(722)</b>     | -  | <b>(722)</b>    |
| <b>Carrying Value at 31.12.13</b>  | <b>2,082</b>             | <b>9,942</b>                              | <b>27,520</b>    | -  | <b>39,544</b>   |
| <b>Carrying Value at 31.12.14</b>  | <b>2,962</b>             | <b>11,233</b>                             | <b>27,457</b>    | -  | <b>41,652</b>   |

No property, plant and equipment is being acquired under finance leases.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014 and 2013 the Group does not have any property, plant and equipment that is temporarily out of service or withdrawn from active use.

At 31 December 2014 and 2013 the Group did not have any firm purchase or sale commitment regarding property, plant and equipment for any significant amount

In accordance with the provisions of Bank of Spain Circular 4/2004, the Parent Entity restated "Buildings for own use" and those that were freely available on 1 January 2004. The accounting impact of that restatement totalled €17,875 thousand, net of taxes. The Parent Entity does not carry out regular appraisals unless there is evidence of potential impairment. However, the Directors of the Parent Entity request an independent expert to perform an annual analysis of the market for that asset and any impairment that may arise is recognized in the income statement. The Directors therefore understand that the fair values of property, plant and equipment do not significantly differ from the recognized amounts.

There is no significant property, plant and equipment for which there are any use or ownership restrictions or which the Entity has pledged to secure the repayment of borrowings.

#### 15. INTANGIBLE ASSETS

The detail of this heading of the consolidated balance sheet at 31 December 2014 and 2013 was as follows:

|                            | Thousand euro |                |                | Carrying value |
|----------------------------|---------------|----------------|----------------|----------------|
|                            | Cost          | Amortisation   | Impairment     |                |
| <b>Balance at 31.12.12</b> | <b>9,837</b>  | <b>(6,419)</b> | <b>(2,000)</b> | <b>1,418</b>   |
| Additions                  | 401           | (577)          | -              | (176)          |
| Disposals                  | -             | -              | -              | -              |
| <b>Balance at 31.12.13</b> | <b>10,238</b> | <b>(6,996)</b> | <b>(2,000)</b> | <b>1,242</b>   |
| Additions                  | 279           | (440)          | -              | (161)          |
| Disposals                  | -             | -              | -              | -              |
| <b>Balance at 31.12.14</b> | <b>10,517</b> | <b>(7,436)</b> | <b>(2,000)</b> | <b>1,081</b>   |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 16. OTHER ASSETS AND LIABILITIES

These headings on the asset and liability side of the accompanying balance sheets for 2014 and 2013, break down as follows:

|  | <b>Thousand euro</b> |               |
|--|----------------------|---------------|
|  | <b>2014</b>          | <b>2013</b>   |
| <u>Assets:</u>                         |                      |               |
| Prepayments and accrued income income: |                      |               |
| Other accrual items                    | 2,437                | 7,195         |
| Other assets                           |                      |               |
| Inventories                            | 219                  | 181           |
| Net pension plan assets (Note 3.p)     | 273                  | 67            |
| Transactions in progress               | -                    | 506           |
| Other items                            | 11,736               | 9,359         |
| <b>Total</b>                           | <b>14,665</b>        | <b>17,308</b> |
| <u>Liabilities:</u>                    |                      |               |
| Accruals and deferred income           | 2,490                | 5,188         |
| Other liabilities                      |                      |               |
| Transactions in progress               | -                    | 722           |
| Other items                            | 16,979               | 13,730        |
| <b>Total</b>                           | <b>19,469</b>        | <b>19,640</b> |

#### 17. FINANCIAL LIABILITIES AT AMORTISED COST

The analysis of this consolidated balance sheet liability heading 31 December 2014 and 2013 is as follows:

|  | <b>Thousand euro</b> |                  |
|--|----------------------|------------------|
|  | <b>2014</b>          | <b>2013</b>      |
| Deposits at central banks (Note 17.1)                  | 893,725              | 737,719          |
| Credit institution deposits (Note 17.2)                | 640,274              | 605,493          |
| Customer deposits (Note 17.3)                          | 4,662,280            | 3,719,594        |
| Debts represented by negotiable securities (Note 17.4) | -                    | 529              |
| Other financial liabilities (Note 17.5)                | 33,676               | 30,075           |
| <b>Total</b>   | <b>6,229,955</b>     | <b>5,093,410</b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 17.1 Deposits at central banks

The composition of the balance of this heading in the consolidated balance sheets is as follows:

|                         | <b>Thousand euro</b> |                |
|-------------------------|----------------------|----------------|
|                         | <b>2014</b>          | <b>2013</b>    |
| Bank of Spain           | 885,000              | 730,000        |
| Measurement adjustments |                      |                |
| Accrued interest        | 8,725                | 7,719          |
| <b>Total</b>            | <b>893,725</b>       | <b>737,719</b> |

At 31 December 2014 and 2013 the Parent Entity maintained a credit facility with the Bank of Spain involving the pledge of securities and other assets and whose limit totalled €929,141 thousand and €776,250 thousand, respectively. At 31 December 2014, the amount drawn down from this facility totalled €885,000 thousand (€730,000 thousand at 31 December 2013).

The amount drawn down is secured by fixed income securities recognized under the account "Available-for-sale financial assets ' Debt securities" in an equivalent amount, in addition to the securitization bonds described in Note 10.2.

#### 17.2 Deposits at credit institutions

The breakdown of this liability heading in the consolidated balance sheet at 31 December 2014 and 2013, based on the nature of the instrument, is as follows:

|                         | <b>Thousand euro</b> |                |
|-------------------------|----------------------|----------------|
|                         | <b>2014</b>          | <b>2013</b>    |
| Term deposits           | 15,072               | 21,878         |
| Asset repos             | 504,660              | 503,013        |
| Other accounts          | 120,447              | 80,339         |
| Measurement adjustments |                      |                |
| Accrued interest        | 95                   | 263            |
| <b>Total</b>            | <b>640,274</b>       | <b>605,493</b> |

The breakdown by remaining maturity periods in this heading is described in Note 5.c).

At 31 December 2014 the nominal amount of the asset repos totals €470,000 thousand and they relate in full to Banco Cooperativo Español. At 31 December 2013 the nominal amount of the asset repos totals €470,000 thousand and they relate in full to Banco Cooperativo Español.

The average annual interest rates on Deposits at credit institutions in 2014 and in 2013 were 0.26% and 0.45% respectively.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 17.3 Customer deposits

The composition of this liability heading in the accompanying consolidated balance sheet at 31 December 2014 and 2013, in accordance with the counterparty and type of financial liability, is indicated below:

|   | <b>Thousand euro</b> |                  |
|---|----------------------|------------------|
|   | <b>2014</b>          | <b>2013</b>      |
| Spanish Public Administrations  | 149,748              | 160,012          |
| Other resident sectors  |                      |                  |
| Demand deposits   |                      |                  |
| Current accounts  | 550,993              | 419,246          |
| Savings deposits  | 1,084,694            | 958,454          |
| Electronic money  | 175                  | 106              |
| Fixed- term deposits  |                      |                  |
| Time deposits   | 2,132,837            | 1,860,013        |
| Home saving accounts  | 983                  | 1,764            |
| Shares issued   | 18,354               | 10,469           |
| Assets acquired under repurchase agreements (Note 9.1)                              | -                    | 14,229           |
| Measurement adjustments   | 7,098                | 8,551            |
| Other non-resident sectors  | 7,607                | 6,989            |
| <b>Customer deposits</b>  | <b>3,952,489</b>     | <b>3,439,833</b> |
| Money market transactions through counterparties                                    | 709,791              | 279,761          |
| <b>Total customer deposits and Money market transactions through counterparties</b> | <b>4,662,280</b>     | <b>3,719,594</b> |
| By currency   |                      |                  |
| In euros  | 4,661,297            | 3,719,285        |
| Currency  | 983                  | 309              |
| <b>Total</b>  | <b>4,662,280</b>     | <b>3,719,594</b> |
| By type of interest rate  |                      |                  |
| Fixed interest rate   | 3,905,430            | 3,667,153        |
| Variable rate   | 756,850              | 52,441           |
| <b>Total</b>  | <b>4,662,280</b>     | <b>3,719,594</b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The breakdown of the measurement adjustments applied to transactions classified as "Customer deposits" in other resident sectors is as follows:

|                         | <u>Thousand euro</u> |                     |
|-------------------------|----------------------|---------------------|
|                         | <u>2014</u>          | <u>2013</u>         |
| Measurement adjustments |                      |                     |
| Accrued interest        | 7,121                | 8,551               |
| Rest                    | (23)                 | -                   |
| <b>Total</b>            | <b><u>7,098</u></b>  | <b><u>8,551</u></b> |

The average annual interest rate in 2014 and 2013 on Customer deposits has stood at 1.24% and 1.74% respectively.

The breakdown by remaining maturity periods in this heading is described in Note 5.c).

At 31 December 2014 and 2013 there are assets acquired under repurchase agreements with central counterparties (MEFF) for a nominal amount of €660,000 thousand and €260,000 thousand, respectively, in which the contracting entity is Banco Popular Español and Banco Santander. The effective amount recognized at 31 December 2014 and 2013 totalled €709,791 thousand and €279,761 thousand, respectively, and the amount of accrued interest at those dates amounted to €74 thousand and €81 thousand, respectively, recognized in the heading "Interest and similar charges". During 2014 and 2013 the average rate applied to those assignments totalled 0.16% and 0.62%, respectively.

#### 17.4 Debts represented by marketable securities

At 31 December 2013 the amount recognized under Debts represented by marketable securities consists of the active amount of the promissory notes issued by the Group's Parent Entity. On 6 March 2012 the CNMV approved the issue called "First Promissory Note Program of Castilla-La Mancha", the main characteristics of which are as follows:

- Securities offered: promissory notes represented by book entries.
- Nominal amount: the maximum amount to be issued will be limited by the active balance of promissory notes which, at any given time, cannot have a nominal value exceeding €250,000 thousand.
- Unitary nominal amount: the promissory notes have a unit value of €10 thousand.
- Issue price: based on the interest rate and term that is applied at any given time.
- Maturity date: the maturity dates fall between 3 business days and 548 days.
- Warranty: The promissory notes issued under the "First program" do not have real guarantees or third-party guarantees and are not secured by the Deposit Guarantee Fund. They are therefore secured by the Entity's equity.



**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

Movements in 2014 and 2013 in the heading "Debts represented by marketable securities" is as follows:

|                                  | <b>Thousand euro</b> |             |
|----------------------------------|----------------------|-------------|
|                                  | <b>2014</b>          | <b>2013</b> |
| Opening balance                  | 529                  | 50,485      |
| Issues                           | -                    | 4,799       |
| Depreciation                     | (529)                | (54,769)    |
| Net movement of accrued interest | -                    | 14          |
| <b>Closing balance</b>           | <b>-</b>             | <b>529</b>  |

The breakdown of the residual terms to maturity at the year-end is indicated below:

|                          | <b>Thousand euro</b> |
|--------------------------|----------------------|
|                          | <b>2013</b>          |
| Up to 1 month            | 515                  |
| Between 1 and 3 months   | -                    |
| Between □3 and 6 months  | -                    |
| Between □6 and 9 months  | -                    |
| Between □9 and 12 months | -                    |
| Over 12 months           | -                    |
| Accrued interest         | 14                   |
| <b>Total</b>             | <b>529</b>           |

At 31 December 2014 and 2013 movements in the active nominal value of the issue are indicated below:

|  | <b>Thousand euro</b> |             |
|--|----------------------|-------------|
|  | <b>2014</b>          | <b>2013</b> |
| Active nominal value at the start of the year      | 530                  | 51,060      |
| Nominal value issued                               | -                    | 4,870       |
| Nominal value repaid                               | (530)                | (55,400)    |
| <b>Active nominal value at the end of the year</b> | <b>-</b>             | <b>530</b>  |

In 2014 the debts represented by marketable securities (Promissory notes) were repaid. The average annual interest rate during 2013 for the promissory note issues was 3.70%.

During 2014 and 2013 the interest accrued on the debts represented by marketable securities (Promissory notes) totalled €1 thousand and €644 thousand, respectively, which was included in the consolidated income statement under the heading "Interest and similar charges".

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 17.5. Other financial liabilities

All the financial liabilities recognized under this heading in the accompanying consolidated balance sheet have been classified to the "Financial liabilities at amortized cost" portfolio and they are therefore measured at amortized cost. It includes the amount of bonds payable that are of a financial liability nature and are not included in the headings.

The analysis of other financial liabilities grouped by type of financial instrument is as follows:

|                         | Thousand euro |               |
|-------------------------|---------------|---------------|
|                         | 2014          | 2013          |
| Amounts payable         | 19,353        | 17,933        |
| Tax collection accounts | 9,059         | 8,165         |
| Special accounts        | 3,717         | 2,663         |
| Other items             | 1,547         | 1,314         |
| <b>Total</b>            | <b>33,676</b> | <b>30,075</b> |

#### 18. PROVISIONS

Set out below is a breakdown of this heading in the consolidated balance sheet at 31 December 2014 and 2013:

|   | Thousand euro |               |
|---|---------------|---------------|
|   | 2014          | 2013          |
| Provisions for contingent risks and commitments | 1,619         | 1,402         |
| Other provisions                                | 2,076         | 9,863         |
| <b>Total</b>                                    | <b>3,695</b>  | <b>11,265</b> |

Movements in these headings in 2014 and 2013 are analysed below:

|                                    | Thousand euro |                                       |                     |               |
|------------------------------------|---------------|---------------------------------------|---------------------|---------------|
|                                    | Pension fund  | Provisions for<br>contingent<br>risks | Other<br>Provisions | Total         |
| <b>Balance at 31.12.12</b>         | -             | <b>1,333</b>                          | <b>7,568</b>        | <b>8,901</b>  |
| Allocations (Note 32)              | -             | 212                                   | 2,295               | 2,507         |
| Recoveries (Note 32)               | -             | (202)                                 | -                   | (202)         |
| Other movements                    | -             | 59                                    | -                   | 59            |
| <b>Balance at 31.12.13</b>         | -             | <b>1,402</b>                          | <b>9,863</b>        | <b>11,265</b> |
| Allocations (Note 32)              | -             | 613                                   | -                   | 613           |
| Recoveries (Note 32)               | -             | (391)                                 | (5,711)             | (6,102)       |
| Other movements                    | -             | (5)                                   | (2,076)             | (2,081)       |
| <b>Balance at 31 December 2014</b> | -             | <b>1,619</b>                          | <b>2,076</b>        | <b>3,695</b>  |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014 the heading "Other provisions" fundamentally records the provisions created for expenses, defaults and likely liabilities deriving from the Entity's normal course of business. The estimated amount totals €2,076 thousand for expenses and likely liabilities associated with the purchase and sale of the assets described in Note 1.

At 31 December 2013 the heading "Other provisions" records the amount pending payment for the second tranche of the additional contribution to the Deposit Guarantee Fund, as well as provisions that were created mainly for the early retirements agreed with personnel totalling €4,100 thousand and €2,920 thousand for legal expenses associated with the business combination described in Note 1. There are other provisions for expenses, defaults and likely liabilities deriving from the Entity's normal course of business whose estimated amount totalled €751 thousand.

#### 19. CONTINGENT RISKS AND COMMITMENTS

##### 19.1 Contingent risks

The breakdown of contingent risks, which are understood to be those amounts that the Entity must pay on behalf of third parties in the event that the original obligated parties do not is shown below for 2014 and 2013:

|                                    | <b>Thousand euro</b> |                |
|------------------------------------|----------------------|----------------|
|                                    | <b>2014</b>          | <b>2013</b>    |
| Financial guarantees               | 101,243              | 40,146         |
| Other contingent risks (Note 10.2) | 102,612              | 134,336        |
| <b>Total</b>                       | <b>203,855</b>       | <b>174,482</b> |

A significant part of these amounts will mature without any payment obligation arising for the Institute and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted by third parties to the ICO.

The income obtained from financial guarantees is recognized under the heading "Fees received" in the income statement and it is calculated by applying the rate established in the relevant agreement to the nominal amount the guarantee.

At 31 December 2014 and 2013 the Entity did not record any assets that secured transactions carried out by the Entity itself or by third parties.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 19.2 Contingent commitments

The breakdown of contingent commitments at 31 December 2014 and 2013 is as follows:

|                              | <b>Thousand euro</b> |                |
|------------------------------|----------------------|----------------|
|                              | <b>2014</b>          | <b>2013</b>    |
| Credit commitments           | 328,500              | 435,570        |
| Other contingent commitments | 4,509                | 3,331          |
| <b>Total</b>                 | <b>333,009</b>       | <b>438,901</b> |

This heading records the irrevocable commitment to provide financing in accordance with certain conditions and for previously established terms. All loan commitments that the Parent Entity has are immediately available.

The breakdown of loan commitments in 2014 and 2013, grouped by counterparty, is as follows:

|                                    | <b>Thousand euro</b> |                |
|------------------------------------|----------------------|----------------|
|                                    | <b>2014</b>          | <b>2013</b>    |
| Credits available to third parties |                      |                |
| Credit institutions                | 11                   | 9              |
| Public entities                    | 4                    | 4              |
| Other resident sectors             |                      |                |
| Credit cards                       | 50,224               | 32,865         |
| Immediately available accounts     | 159,339              | 280,035        |
| Other                              | 118,883              | 119,925        |
| Non-residents                      | 39                   | 2,732          |
| <b>Total</b>                       | <b>328,500</b>       | <b>435,570</b> |

The average interest rate offered for these commitments was 3% in 2014 (3.79% in 2013).

#### 20. MINORITY SHAREHOLDINGS

Below is the breakdown of this heading in the consolidated balance sheet at 31 December 2014 and 2013:

|   | <b>Thousand euro</b>                 |  |                                      |  |
|---|--------------------------------------|--|--------------------------------------|--|
|   | <b>2014</b>                          |  | <b>2013</b>                          |  |
|   | <b>Non-controlling shareholdings</b> | <b>Profit attributable to minority interests</b> | <b>Non-controlling shareholdings</b> | <b>Profit attributable to minority interests</b> |
| Rural Patrimonios Agrupados, S.I.C.A.V., S.A. | 2,019                                | 8  | 1,981                                | 38   |
| <b>Total</b>                                  | <b>2,019</b>                         | <b>8</b>   | <b>1,981</b>                         | <b>38</b>  |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 21. MEASUREMENT ADJUSTMENTS

This balance sheet heading records the net amount of changes in the fair value of the assets classified as available for sale that, in accordance with Note 9.3, must be fully included as part of the Entity's equity. These changes are recognized in the income statement when the originating assets are sold.

Movements in the balance of this heading in 2014 and 2013 are as follows:

|   | <b>Thousand euro</b> |               |
|---|----------------------|---------------|
|   | <b>2014</b>          | <b>2013</b>   |
| Beginning balance                                 | 33,543               | 11,134        |
| Changes in the fair value of debt securities      | 30,716               | 21,761        |
| Changes in the fair value of equity instruments   | 3,260                | 648           |
| Changes in the fair value of cash-flow hedges     | 202                  | -             |
| Changes in fair value due to exchange differences | 239                  | -             |
| <b>Ending balance</b>                             | <b>67,960</b>        | <b>33,543</b> |

#### 22. SHAREHOLDERS' EQUITY

The consolidated statement of total changes in equity for 2014 and 2013, which forms an integral part of the statement of changes in equity, presents the movements that took place during those years in the headings "Equity-Capital" and "Equity-Reserves".

##### 22.1 Authorised capital

At 31 December 2014 and 2013 authorized capital totalled €50,594 thousand and €50,321 thousand, respectively, which is fully subscribed and paid in.

As is indicated in Royal Decree 84/1993 (22 January), which approves the Enabling Regulations for Law 13/1989 (26 May), and in the Parent Entity's Bylaws, authorized capital consists of the equity contributions made by the members that comply with the conditions established by law.

With the publication of Bank of Spain Circular 7/2012 (30 November), mandatory and voluntary contributions were made equal so that both receive equal financial and voting rights. This amendment gave rise to the revision of the nomenclature used in the Entity's bylaws, which were duly approved by the General Assembly on 19 April 2013 although in practice it did not have any effect on the members of the Entity since before that Circular was published the rights falling to both types of contributions were already equal.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

On 15 June 2012 the General Assembly adopted a resolution to allow contributions to Share Capital for a maximum amount of €123 million and a maximum term of 5 years, and delegated authority to execute this resolution to the Governing Council. In accordance with that delegated authority, the Governing Council held a meeting on 26 February 2013 and decided to admit voluntary contributions to Share Capital up to a maximum of €41,202 thousand, the main characteristics of which are:

- Nominal amount: 60.11 euros
- Maturity date: Indefinite
- Representation Registered shares
- Compensation: That which is set at any given time by the Parent Entity's General Assembly for mandatory contributions. However, the remuneration is subject to the condition that sufficient net profits or freely available resources exist and the Entity must comply with the solvency ratio or the minimum equity amount established by regulations.

At 31 December 2013 share capital was €50,321 thousand after the share capital increase process that was open between 13 March and 7 August 2013, and no distinction was made between voluntary and mandatory contributions.

The contributions to the Parent Entity comply with all the requirements established by Royal Decree 80/19 93 (22 January) and Bank of Spain Circular 5/1993 to form part of share capital, as is indicated in the Entity's Bylaws, and consist of:

- The payment of remuneration is effectively subject to the existence of net profits or sufficient freely-available reserves to make payment, and the latter would be subject to the prior authorization of the Bank of Spain.
- They have an indefinite term.
- Any future reimbursement is subject to the condition that there is sufficient coverage of the minimum mandatory capital, reserves or equity solvency ratio.

The Entity's bylaws include, among other things, the following matters relating to share capital:

- The Entity's share capital, which is of a variable nature, is set at a minimum of €4,808 thousand and it will be fully subscribed and paid in.
- All contribution shares will be registered and will have a par value of €60.11. Each natural person must possess at least one contribution share. However, in the case of legal persons, at least five shares must be held.
- The total amount of the contributions that are directly or indirectly controlled by each member cannot exceed 5% of share capital when involving a legal person and 1.5% when involving a natural person. Under no circumstances may the group of all legal persons that are not cooperatives possess more than 50% of share capital.

Furthermore, as is explained in Note 3.f), at the General Assembly meeting held on 28 April 2006 the Parent Entity's bylaws were amended to adapt capital contributions to cooperatives in order to meet the requirements established by Bank of Spain Circular 4/2004 and to be considered to be "Equity instruments".

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In 2013 the contributions accrued annual interest totalling 6%. The amount relating to 2014 will be established by the General Assembly that will be held in 2014.

#### 22.2 Reserves

The breakdown by item of the balances in these consolidated balance sheet headings is shown below:

|   | <b>Thousand euro</b>  |                       |
|---|-----------------------|-----------------------|
|   | <b>2014</b>           | <b>2013 (*)</b>       |
| Parent Entity Reserves  |                       |                       |
| Mandatory reserves (Mandatory Reserve Fund)                           | 181,743               | 181,430               |
| Voluntary reserves  | 51,998                | 52,600                |
| Revaluation reserves  | 10,752                | 10,903                |
| Other reserves  | (742)                 | (954)                 |
|   | <b><u>243,751</u></b> | <b><u>243,979</u></b> |
| Reserves in consolidated companies                                    |                       |                       |
| CRCLM Mediación Operador de Banca y Seguros Vinculado S.L.            | 418                   | 319                   |
| Castilla La Mancha Servicios Tecnológicos S.L.U.                      | (2)                   | (301)                 |
| Rural Patrimonios Agrupados, SICAV, S.A.                              | (5)                   | (44)                  |
| Viveactivos, S.A.U.   | (5)                   | (4)                   |
| Rural Bróker, S.L.  | (2)                   | -                     |
| Caja Rural Castilla La-Mancha, Sociedad de Gestión de Activos, S.A.U. | (32)                  | (3)                   |
|   | <b><u>372</u></b>     | <b><u>(33)</u></b>    |
| <b>Total</b>  | <b><u>244,123</u></b> | <b><u>243,946</u></b> |

(\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had retroactive effects for 2013 and 2012 and as a result the profit for the year at 31 December 2013 is €3,223 thousand (Note 2.c), which therefore does not coincide with the amount approved by the General Assembly on 4 April 2014.

The Statement of changes in equity includes the distribution of 2014 and 2013 profits. The Ordinary General Assembly held on 4 April 2014 adopted a resolution to apply voluntary reserves totalling €800 thousand as the additional contribution to the Education and Development Fund (the amount allocated to the Education and Development Fund in 2013 by virtue of the resolution adopted by the Assembly on 19 April 2013 amounted to €1,950 thousand).

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The contributions made to the Mandatory Reserve Fund (which cannot be distributed to members) through the application of surpluses from prior years took place in accordance with the provisions of Law 13/1989 (26 May) on Credit Cooperatives, partially amended by Law 20/1990 (19 December) on the Tax System for Cooperatives and the Entity's bylaws. In accordance with the Entity's current bylaws, at least 75% of available surplus in each year must be allocated to this fund.

#### 23. CONSOLIDATED PROFITS

The contribution by company to consolidated profits, net of consolidation adjustments, in 2014 and 2013 is as follows:

|   | Thousand euro |                    |              |                    |
|---|---------------|--------------------|--------------|--------------------|
|   | 2014          |                    | 2013 (*)     |                    |
|   | Group         | Minority interests | Group        | Minority interests |
| Caja Rural de Castilla–La Mancha (Parent entity)                      | 18,810        | -                  | 3,223        | -                  |
| Castilla La Mancha Servicios Tecnológicos S.L.U.                      | 1             | -                  | 300          | -                  |
| Rural Patrimonios Agrupados, SICAV, S.A.                              | 8             | 8                  | 38           | 38                 |
| CRCLM Mediación Operador de Banca y Seguros Vinculado S.L.            | 10            | -                  | 99           | -                  |
| Viveactivos, S.A.U.   | 5             | -                  | 5            | -                  |
| Rural Bróker, S.L.  | 1             | -                  | -            | -                  |
| Caja Rural Castilla La-Mancha, Sociedad de Gestión de Activos, S.A.U. | 33            | -                  | (29)         | -                  |
| <b>Total</b>  | <b>18,868</b> | <b>8</b>           | <b>3,636</b> | <b>38</b>          |

(\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had retroactive effects for 2013 and 2012 and as a result the profit for the year at 31 December 2013 is €3,223 thousand (Note 2.c), which therefore does not coincide with the amount approved by the General Assembly on 4 April 2014.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 24. EDUCATION AND DEVELOPMENT FUND

In accordance with the provisions of Law 13/1998 on Credit Cooperatives, Law 27/1999 on Cooperatives and the Entity's bylaws, the Education and Development Fund must be used for activities that have one of the following purposes:

- a) The training and education of members and employees of Caja Rural regarding cooperative principles and values, or regarding specific areas of its business or its employment activity, and any other cooperative activity.
- b) The extension of cooperative arrangements, as well as the promotion of relationships between cooperatives.
- c) Cultural, professional and assistance activities in the local environment or the community in general, as well as the improvement of quality of life and development in the community, including environmental protection action.

The General Assembly will establish the basic lines for applying the Education and Development.

In order to comply with the Fund's purposes, collaborative arrangements may be reached with other companies and entities and the contribution may be fully or partially provided.

The Education and Development Fund cannot be encumbered and its allocations must be stated on the liability side of the balance sheet separately from other items in accordance with the provisions of the regulations governing credit institution activities.

In 2014 and 2013, in line with the basic guidelines established by the General Assembly, the Education and Development Fund was applied such purposes through the following activities:

|   | <b>Thousand euro</b> |              |
|---|----------------------|--------------|
|   | <b>2014</b>          | <b>2013</b>  |
| Training                                    | 399                  | 232          |
| Cooperative and professional development    | 930                  | 1,289        |
| Cultural and assistance development         | 342                  | 553          |
| Caja Rural de Castilla-La Mancha Foundation | 620                  | 289          |
| Educational entities                        | 19                   | 3            |
| <b>Total</b>                                | <b>2,310</b>         | <b>2,366</b> |

The number of grants totalled: **781**

|                  | <b>Thousand euro</b> |             |
|------------------|----------------------|-------------|
|                  | <b>2014</b>          | <b>2013</b> |
| Less than €1,000 | 586                  | 562         |
| More than €1,000 | 195                  | 241         |
| <b>Total</b>     | <b>781</b>           | <b>803</b>  |

The budget for expenses and investments relating to the Education and Development Fund in 2014 totalled €2,712 thousand (€1,947 thousand in 2013).

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31  
DECEMBER 2014**

Movements in the Education and Development Fund in 2014 and 2013 were as follows:

|  | <b>Thousand euro</b> |              |
|--|----------------------|--------------|
|  | <b>2014</b>          | <b>2013</b>  |
| Beginning balance                            | 1,947                | 1,409        |
| Amount committed the preceding year (*)      | (1,136)              | (1,215)      |
| Maintenance expenses for the year            | (2,310)              | (2,366)      |
| Surpluses                                    | 963                  | 2,093        |
| Amount not committed                         | 4,482                | 1,426        |
| Available-for-sale financial assets (Note 9) | 600                  | 600          |
| <b>Ending balance</b>                        | <b>4,546</b>         | <b>1,947</b> |

(\*) Represents the application of the surplus for 2014 and 2013, respectively, and the amount invested in available-for-sale financial assets.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 25. CORPORATE INCOME TAX

Group companies file their tax returns separately. The Parent entity is open to inspection for the past four years. Due to the different interpretations that may be afforded to the tax regulations applicable to the Company's operations, in the years open to inspection, there could be certain contingent tax liabilities which cannot be objectively quantified. However, the Parent Company's Directors believe that the probability that such tax contingencies will actually arise in future tax inspections is remote and, in any event, any liability arising therefrom would not significantly affect the accompanying consolidated annual accounts.

The reconciliation of consolidated profits for the year and the tax bases for 2014 and 2013, not taking into account corporate income tax expense arising on transactions directly recognized in equity, is as follows:

|   | Thousand euro  |                |
|---|----------------|----------------|
|   | 2014           | 2013 (*)       |
| <b>Consolidated book profit before taxes</b>  | <b>22,594</b>  | <b>3,976</b>   |
| Increases (decreases) due to permanent differences:   | (14,307)       | (4,782)        |
| Adjusted consolidated book profit and loss  | 8,287          | 806            |
| Increases (decreases) due to temporary differences  | 22,173         | 4,978          |
| Offset of prior year tax loss carryforwards   | -              | -              |
| <b>Tax base</b>   | <b>30,460</b>  | <b>4,172</b>   |
| Gross tax (25% of profits from the cooperative, 30% of profits from non-cooperative activities) | 7,996          | 1,555          |
| Deductions and credits  | (2,010)        | (139)          |
| Net Tax payable   | 5,986          | 1,416          |
| Withholdings  | (443)          | (125)          |
| Interim payments made   | (7,626)        | (5,397)        |
| <b>Net tax payable</b>  | <b>(2,083)</b> | <b>(4,106)</b> |

(\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had retroactive effects for 2013 and 2012 and as a result the profit for the year at 31 December 2013 is €3,223 thousand (Note 2.c), which therefore does not coincide with the amount approved by the General Assembly on 4 April 2014.

The amount to be settled with the Treasury is included in the heading "Current tax assets" in the accompanying consolidated balance sheet.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014 and 2013 the reconciliation of the consolidated corporate income tax expense (income) is indicated below.

|   | Thousand euro |              |
|---|---------------|--------------|
|   | 2014          | 2013 (*)     |
| <b>Adjusted consolidated book profit and loss</b>                                       | <b>8,287</b>  | <b>(806)</b> |
| Accrued tax (25% profits for cooperative activities, 30% of non-cooperative activities) | 228           | 509          |
| Adjustments to prior year corporate income tax expense                                  | (336)         | (855)        |
| <b>Income tax expense (income)</b>  | <b>(108)</b>  | <b>(346)</b> |

The balance in the heading "Tax assets" records the tax amounts to be recovered over the coming twelve months ("Tax Assets-Current") and the tax amounts to be recovered in future years, including those originating from tax-loss carryforwards or tax deductions or credits that have yet to be offset ("Tax assets-Deferred"). The balance in the heading "Tax liabilities" includes all tax liabilities, making a distinction between current and deferred items, except for tax provisions that are recognized under the heading "Provisions" in the accompanying consolidated balance sheet.

The Group companies have applied the tax benefits relating to corporate income tax credits and deductions stipulated by the provisions of corporate income tax legislation.

On 30 November 2013 Royal Decree-Law 14/2013 (29 November) entered into force and amended the Corporate Income Tax Act to establish, effective for tax periods commencing on or after 1 January 2011, the impairment adjustments for loans or other assets arising from the potential insolvency of borrowers not related to the taxpayer, as well as allocations or contributions to retirement systems and, if appropriate, early-retirement, that have generated deferred tax assets, which will be included in the tax base in accordance with the provisions of the Corporate income tax act up to the limit of the positive tax base prior to including those items and the offset of tax-loss carryforwards. The entry into force of this legislation did not have any effect on the Group since it has sufficient positive tax bases to apply the reversal of existing deferred tax assets.

The aforementioned Royal Decree stipulates that deferred tax assets relating to allocations for the impairment of loans or other assets deriving from the potential insolvency of borrowers not related to the taxpayer, as well as allocations or contributions to retirement systems and, if appropriate, early-retirement, will be converted into a credit that may be obtained from the tax authorities (and may be monetized) in those cases in which the taxpayer presents book losses or if the entity is liquidated or declared by a court to be insolvent. The amount of the tax assets that may be monetized at 31 December 2014 totals €23,834 thousand, of which €23,740 thousand relates to allocations for the impairment of loans. The Entity considers the classification of the deferred tax assets that may be monetized as a tax asset and not as a financial asset is adequate, as they are based on tax legislation.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Subsequently, on 28 November 2014 Law 27/2014 on corporate income tax was published and is valid for the tax periods commencing on or after 1 January 2015, except for the Final Provisions Four through Seven which entered into force on 29 November 2014.

The main amendments to Law 27/2014 that have a potential impact on the closing at 31 December 2014 are as follows:

- Tax-loss carry forwards yet to be offset at 1 January 2015 may be offset in subsequent tax periods, without any time limit whatsoever.
- Modification of the general tax rate from 30% to 25%. However, the Law stipulates that Financial Entities and their tax consolidation groups will maintain the 30% rate, although the tax rate for corporate activities is established at 25%.
- A limitation is placed on the inclusion of deferred assets that may be monetized in the tax base and the offset of tax bases (25% in 2014 and 2015; 60% in 2016 and 70% in 2017 and subsequent years).

Details of the headings Tax Assets and Liabilities at 31 December 2014 and 2013 are as follows:

|              | 2014          |               | 2013          |               |
|--------------|---------------|---------------|---------------|---------------|
|              | Assets        | Liabilities   | Assets        | Liabilities   |
| Current      | 2,545         | 238           | 5,082         | 160           |
| Deferred     | 31,164        | 27,538        | 20,567        | 16,092        |
| <b>Total</b> | <b>33,709</b> | <b>27,776</b> | <b>25,649</b> | <b>16,252</b> |

The breakdown of deferred tax assets and deferred tax liabilities by item is as follows:

|   | Thousand euro |        |
|---|---------------|--------|
|   | 2014          | 2013   |
| Deferred tax assets                                 | 31,164        | 20,567 |
| Financial asset impairment losses                   | 23,740        | 15,450 |
| Available-for-sale financial assets                 | 0             | 450    |
| Origination fees pending accrual                    | 82            | 98     |
| Premiums for pension insurance                      | 94            | 97     |
| Allocation among special and early-retirement funds | 529           | 1,381  |
| Other   | 6,719         | 3,091  |
| Deferred tax liabilities                            | 27,538        | 16,092 |
| Restatement of property, plant and equipment        | 4,636         | 4,661  |
| Debt securities                                     | 22,563        | 11,158 |
| Other   | 339           | 273    |

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

Movements in the current and deferred tax asset and liability headings in 2014 and 2013 are as follows:

|                       | Thousand euro |               |                 |               |              |               |                 |               |
|-----------------------|---------------|---------------|-----------------|---------------|--------------|---------------|-----------------|---------------|
|                       | 2014          |               |                 |               | 2013         |               |                 |               |
|                       | Tax assets    |               | Tax liabilities |               | Tax assets   |               | Tax liabilities |               |
|                       | Current       | Deferred      | Current         | Deferred      | Current      | Deferred      | Current         | Deferred      |
| Beginning balance     | 4,640         | 19,846        | 160             | 16,092        | 778          | 17,781        | 818             | 8,650         |
| Additions             | 2,545         | 16,040        | 237             | 15,945        | 5,082        | 7,110         | 160             | 15,892        |
| Disposals             | (4,640)       | (4,722)       | (159)           | (4,499)       | (778)        | (4,324)       | (818)           | (8,450)       |
| Other                 |               |               |                 |               | -            | -             | -               | -             |
| <b>Ending balance</b> | <b>2,545</b>  | <b>31,164</b> | <b>238</b>      | <b>27,538</b> | <b>5,082</b> | <b>20,567</b> | <b>160</b>      | <b>16,092</b> |

Law 35/2006 (28 November) established a 30% tax rate for the tax periods starting on or after 1 January 2008. However, based on the fact that the Entity's corporate form is a Cooperative Company, the tax rate for cooperative activities is 25%.

The estimated reversal periods for the Entity with respect to deferred tax assets and liabilities are indicated below.

|                           | Thousand euro |               |
|---------------------------|---------------|---------------|
|                           | Assets        | Liabilities   |
| 2015                      | 175           | 370           |
| 2016                      | 140           | 302           |
| 2017                      | 125           | 528           |
| 2018                      | 149           | 1180          |
| 2019 and Subsequent years | 30,575        | 25,158        |
| <b>Total</b>              | <b>31,164</b> | <b>27,538</b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 26. RELATED PARTIES

##### 26.1 Balances and transactions with related parties

The balances recorded by the Group at 31 December 2014 and 2013 with related parties are as follows:

|   | <b>Thousand euro</b>             |             |
|---|----------------------------------|-------------|
|   | <b>Other related parties (*)</b> |             |
|   | <b>2014</b>                      | <b>2013</b> |
| <b>ASSETS</b>                                     |                                  |             |
| Credits   | 11,712                           | 15,116      |
| <b>LIABILITIES</b>                                |                                  |             |
| Deposits  | 39,284                           | 24,725      |
| Other liabilities                                 | -                                | 13,900      |
| <b>MEMORANDUM ACCOUNTS</b>                        |                                  |             |
| Contingent liabilities                            | 539                              | 805         |
| Available   | 28                               | 50          |
| Securities on deposit                             | 6,222                            | 5,306       |
| <b>PROFIT AND LOSS</b>                            |                                  |             |
| <i>Income:</i>                                    |                                  |             |
| Interest, similar yields, fees received and other | 214                              | 347         |
| <i>Expenses:</i>                                  |                                  |             |
| Interest, similar charges and fees paid           | 376                              | 440         |

(\*) Includes balances with members of the Governing Council, senior management and companies related to them.

Loans and credit facilities granted to members of the Governing Council and companies associated with the Directors accrued an annual interest rate of between 0.0% and 11.4% in 2014 (an annual interest rate between 0.0% and 7.5% in 2013).

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 26.2 Compensation for Directors and Senior Management

The gross compensation received by the members of the Entity's Governing Council in 2014 and 2013 was as follows:

|  | Thousand euro        |            |                          |          |                          |          |                      |          |                    |          |
|--|----------------------|------------|--------------------------|----------|--------------------------|----------|----------------------|----------|--------------------|----------|
|  | Current compensation |            | Post-employment benefits |          | Other long-term benefits |          | Termination benefits |          | Equity instruments |          |
|  | 2014                 | 2013       | 2014                     | 2013     | 2014                     | 2013     | 2014                 | 2013     | 2014               | 2013     |
| Mr. Andrés Gómez Mora                    | 238                  | 238        | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Humberto Carrasco González           | 30                   | 28         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Gregorio Gómez López                 | 33                   | 34         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. José Luis Álvarez Gutiérrez (*)      | 30                   | 32         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Paulino Estrada Fernández            | 32                   | 32         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Pablo Díaz Peño                      | 34                   | 34         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Vicente López Jiménez                | 11                   | 11         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Prosper Lamothe Fernández            | 8                    | 9          | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Esteban Ceca Magán                   | 8                    | 9          | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. María José Suero Suñe                | 8                    | 10         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Ángel Villafranca Lara               | 1                    | 9          | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Julián Sierra Bermejo (*)            | -                    | 1          | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Javier López Martín                  | 27                   | 29         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. José María Arcos González            | 9                    | 10         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Pedro Villacañas de la Concepción    | 11                   | 11         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Luis Fernando López García           | 11                   | 11         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Francisco Mayol Solis                | 11                   | 10         | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Jose María Perez De Vargas Muñoz     | 7                    | -          | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| Mr. Alberto Fernando Azaña Rodríguez (*) | 1                    | -          | -                        | -        | -                        | -        | -                    | -        | -                  | -        |
| <b>Total</b>                             | <b>510</b>           | <b>518</b> | <b>-</b>                 | <b>-</b> | <b>-</b>                 | <b>-</b> | <b>-</b>             | <b>-</b> | <b>-</b>           | <b>-</b> |

(\*) Members that are also employees of the Entity

“Short-term compensation” includes amounts relating to per diems and expenses for attending the Governing Council or Committees to which the Director pertains. Furthermore, Directors that are also employees of the Entity received compensation totalling €124 thousand in 2014 (€129 thousand in 2013).

The Parent Entity has obtained a liability insurance policy that covers the members of the Governing Council.

The Parent Entity does not maintain any pension or life insurance obligations with the current or previous members of its Governing Body, except for those relating to Directors that represent employees as a result of the general policies established in the collective wage agreement.

The Parent Entity considers key management personnel to be, in addition to the members of the Governing Council, the members of the Savings Bank Management Committee which consists of 10 members in 2014 and 2013, and whose total compensation (fixed plus variable remuneration) totalled €1,940 thousand and €1,917 thousand in 2014 and 2013, respectively.

The Parent Entity has the commitment of paying an indemnity in the case of removal or dismissal affecting certain members of the Management Committee in addition to the indemnity established by law. At 31 December 2014 and 2013 no provision had been created as the Entity has not taken any decision in this respect.



**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**27. INTEREST AND SIMILAR YIELDS, INTEREST AND SIMILAR CHARGES AND NET RESULTS FROM FINANCIAL TRANSACTIONS**

The breakdown of the balances of this caption in the accompanying consolidated statements of income is as follows:

|  | <b>Thousand euro</b> |                |
|--|----------------------|----------------|
|  | <b>2014</b>          | <b>2013</b>    |
| Interest and similar income  |                      |                |
| Deposits at central banks (Note 6)   | 51                   | 142            |
| Bank deposits  | 11,504               | 20,613         |
| Customer loans   | 80,811               | 70,594         |
| Debt securities  | 48,640               | 51,293         |
| Doubtful assets  | 896                  | 522            |
| Rectification of revenues owing to hedging operations                                | 2,463                | 3,026          |
| Insurance products linked to pensions  | 73                   | 70             |
| Other interest   | 15                   | 15             |
| <b>Total</b>   | <b>144,453</b>       | <b>146,275</b> |
| Interest and similar expenses  |                      |                |
| Deposits at central banks  | 1,455                | 4,032          |
| Deposits at credit institutions  | 2,261                | 1,727          |
| Customer deposits  | 45,151               | 53,304         |
| Deposits represented by marketable securities  | 1                    | 644            |
| Other interest   | 6,058                | 6,703          |
| <b>Total</b>   | <b>54,926</b>        | <b>66,410</b>  |
| Profits from financial transactions (net)  |                      |                |
| Trading portfolio  | 60                   | -              |
| Other instruments at fair value through changes in profit or loss or loss (Note 5.d) | (8,054)              | 3,880          |
| Available-for-sale financial assets (Note 5)   | 24,501               | 11,894         |
| Other  | 350                  | (5)            |
| <b>Total</b>   | <b>16,857</b>        | <b>15,769</b>  |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 28. COMMISSIONS

The headings "Fees received" and "Fees paid" in the accompanying consolidated income statement record the amount of all fees received by or paid or payable by the Parent Entity that accrued during the year, except those that form an integral part of the effective interest rate for financial instruments. The criteria followed for their recognition in profit or loss are described in detail in Note 3.r).

The breakdown by products that generated income or expense in 2014 and 2013 is as follows:

|  | <b>Thousand euro</b> |               |
|--|----------------------|---------------|
|  | <b>2014</b>          | <b>2013</b>   |
| <u>Fees received</u>                                     |                      |               |
| Contingent risks   | 3,207                | 3,046         |
| Contingent commitments                                   | 516                  | 486           |
| Currency and foreign bank notes exchange                 | 36                   | 15            |
| Collection and payment services                          | 11,644               | 10,442        |
| Securities services:                                     | 300                  | 184           |
| Marketing of non-bank financial products (Note 34.2)     | 7,261                | 519           |
| Other fees   | 1,464                | 1,522         |
| <b>Total</b>   | <b>24,428</b>        | <b>16,214</b> |
| <u>Fees paid</u>   |                      |               |
| Commissions ceded to other banks and correspondent banks | 1,811                | 2,150         |
| Fees paid on securities transactions                     | 25                   | 4             |
| Other fees   | 3,890                | 59            |
| <b>Total</b>   | <b>5,726</b>         | <b>2,213</b>  |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 29. OTHER OPERATING INCOME AND CHARGES

The breakdown of the heading "Other operating income" in the accompanying consolidated income statements for 2014 and 2013 is as follows:

|   | <b>Thousand euro</b> |              |
|---|----------------------|--------------|
|   | <b>2014</b>          | <b>2013</b>  |
| Sales and income from non-financial services rendered | 3,661                | 8,338        |
| Other products  | 1,502                | 1,331        |
| <b>Total</b>  | <b>5,163</b>         | <b>9,669</b> |

The breakdown of the heading "Other operating expense" in the accompanying consolidated income statements for 2014 and 2013 is as follows:

|  | <b>Thousand euro</b> |                 |
|--|----------------------|-----------------|
|  | <b>2014</b>          | <b>2013 (*)</b> |
| Contribution to Deposits Guarantee Fund (Note 2) | 7,324                | 10,729          |
| Other  | 2,412                | 222             |
| <b>Total</b>                                     | <b>9,736</b>         | <b>10,951</b>   |

(\*\*) In 2014 amendments were introduced to applicable accounting legislation compared with that in force last year with respect to the ordinary and extraordinary contributions to the Deposit Guarantee Fund. Those amendments had retroactive effects for 2013 and 2012 and as a result the profit for the year at 31 December 2013 is €3,223 thousand (Note 2.c), which therefore does not coincide with the amount approved by the General Assembly on 4 April 2014.

#### 30. PERSONNEL EXPENSES

The composition of this income statement heading is as follows in 2014 and 2013:

|   | <b>Thousand euro</b> |               |
|---|----------------------|---------------|
|   | <b>2014</b>          | <b>2013</b>   |
| Salaries and bonuses to current personal          | 26,035               | 32,373        |
| Social Security payments                          | 8,271                | 7,422         |
| Contributions to defined benefit plans (Nota 3 p) | 107                  | 181           |
| Severance indemnities                             | 2,257                | -             |
| Other personnel expenses                          | 77                   | 59            |
| <b>Total</b>                                      | <b>36,747</b>        | <b>40,035</b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

In 2014 and 2013 the average number of employees at the Group and their distribution by professional category were as follows, indicating the annual average and percentage:

|                                    | 2014       |            | 2013       |            |
|------------------------------------|------------|------------|------------|------------|
|                                    | Male       | Female     | Male       | Female     |
| Parent of the group                |            |            |            |            |
| Senior management                  | 1          | -          | 1          | -          |
| Group I                            | 6          | 1          | 5          | 1          |
| Group II                           |            |            |            |            |
| - Tier I                           | 3          | -          | 5          | -          |
| - Tier II                          | 24         | 2          | 25         | 1          |
| - Tier III                         | 24         | 5          | 19         | 5          |
| - Level IV                         | 19         | 4          | 20         | 2          |
| - Level V                          | 12         | 4          | 13         | 4          |
| - Level VI and VII                 | 254        | 138        | 257        | 123        |
| - Level VIII, XI and X             | 139        | 181        | 126        | 185        |
| Group III                          | 4          | 1          | 4          | 1          |
|                                    | <b>486</b> | <b>336</b> | <b>475</b> | <b>322</b> |
| Employees of other Group companies | 13         | 16         | 15         | 15         |
| <b>Total</b>                       | <b>499</b> | <b>352</b> | <b>490</b> | <b>337</b> |

Compensation for employees at the Parent Entity is determined by the provisions of current employment legislation in general and, in particular, by the applicable Collective Wage Agreement for Credit Cooperatives, consisting of 12 ordinary monthly payments, 4 extraordinary payments and three-quarters of one monthly payment as profit-sharing, as stipulated by Article 28 of the XIX Collective Wage Agreement, assistance for education and a holiday fund.

Benefits in kind are considered to be the personal and home acquisition loans granted, measured at the difference between the interest rate agreed in the applicable Collective Wage Agreement and the current asset rate in force and the market rate of reference.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 31. OTHER GENERAL ADMINISTRATIVE EXPENSES

The breakdown of the balances of this caption in the accompanying consolidated statements of income is as follows:

|                                       | <b>Thousand euro</b> |               |
|---------------------------------------|----------------------|---------------|
|                                       | <b>2014</b>          | <b>2013</b>   |
| Property, plant and equipment:        | 5,336                | 4,590         |
| Computers                             | 7,109                | 4,389         |
| Communications                        | 3,602                | 3,156         |
| Advertising and publicity             | 688                  | 723           |
| Court and attorney's fees             | 1,584                | 245           |
| Technical reports                     | 1,595                | 1,033         |
| Security and armoured car services    | 2,212                | 1,965         |
| Insurance premiums and self-insurance | 514                  | 488           |
| Governance and Control bodies         | 733                  | 737           |
| Entertainment and travel expenses     | 640                  | 658           |
| Association fees                      | 244                  | 422           |
| Fees and taxes                        | 8,332                | 1,058         |
| <i>On property</i>                    | 638                  | 779           |
| <i>Other</i>                          | 7,694                | 279           |
| Other expenses                        | 398                  | 284           |
| <b>Total</b>                          | <b>32,987</b>        | <b>19,748</b> |

#### 32. ALLOCATIONS TO PROVISIONS

The breakdown of the balances of this caption in the accompanying consolidated statements of income is as follows:

|   | <b>Thousand euro</b> |              |
|---|----------------------|--------------|
|   | <b>2014</b>          | <b>2013</b>  |
| Allocation (release) of the provision for liabilities and charges (Note 18) | 222                  | 10           |
| Allocation (release) of other provisions (Note 18)                          | (5,694)              | 2,295        |
| Other allocations (releases) at Group companies (Note 18)                   | (17)                 | (15)         |
| <b>Total</b>  | <b>(5,489)</b>       | <b>2,290</b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 33. OTHER PROFIT AND LOSS

The breakdown of the balances of this caption in the accompanying consolidated statements of income is as follows:

|   | <b>Thousand euro</b> |                |
|---|----------------------|----------------|
|   | <b>2014</b>          | <b>2013</b>    |
| Impairment losses on other assets (net)   |                      |                |
| Other intangible assets (Note 15)   | -                    | -              |
| Property, plant and equipment and other assets  | (484)                | (229)          |
| <b>Total</b>  | <b>(484)</b>         | <b>(229)</b>   |
| Other   |                      |                |
| Gain/(Loss) on the disposal of assets not classified as non-current available-for-sale assets                             | (1,959)              | (1,052)        |
| Impairment (Note 13) and Gain/ (loss) on non-current available-for-sale assets not classified as discontinued operations. | (4,971)              | (3,665)        |
| <b>Total</b>  | <b>(6,930)</b>       | <b>(4,717)</b> |

#### 34. OTHER INFORMATION

##### 34.1 Information per business segment

The Banco Guipuzcoano Group's core business is retail banking. There are no other major lines of business which require, in accordance with applicable legislation, that the Parent Entity segment and manage its operations through different lines.

The Parent Entity operates in Spain and its type of clientele is similar across the country. Therefore the Parent Entity considers that there is a single geographical segment for its operations.

##### 34.2 Fiduciary businesses and investment services

A breakdown of customer funds off the Group's consolidated balance sheet at 31 December 2014 and 2013 is as follows:

|  | <b>Thousand euro</b> |                |
|--|----------------------|----------------|
|  | <b>2014</b>          | <b>2013</b>    |
| Investment funds and companies                         | 116,224              | 74,489         |
| Pension Allowance                                      | 142,132              | 122,082        |
| Insurance products                                     | 103,878              | 73,769         |
| <b>Resources marketed but not managed by the Group</b> | <b>362,234</b>       | <b>270,340</b> |

The Parent Entity does not directly manage funds under administrative or financial agreements, but rather only performs marketing tasks.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

Net income from the fees generated by the preceding activities in 2014 and 2013 was as follows:

|                                | <b>Thousand euro</b> |              |
|--------------------------------|----------------------|--------------|
|                                | <b>2014</b>          | <b>2013</b>  |
| Marketing fees (Note 28)       |                      |              |
| Investment Funds and companies | 922                  | 516          |
| Pension Allowance              | 1,571                | 1,577        |
| Insure                         | 4,768                | 4,634        |
| <b>Total</b>                   | <b>7,261</b>         | <b>6,727</b> |

The Group's Parent Entity renders securities administration and custody services for customers. The commitments assumed by the Entity at 31 December 2014 and 2013 with respect to this service are as follows:

|                                   | <b>Thousand euro</b> |                |
|-----------------------------------|----------------------|----------------|
|                                   | <b>2014</b>          | <b>2013</b>    |
| Securities owned by third parties |                      |                |
| Equity instruments                | 51,836               | 43,381         |
| Debt instruments                  | 41,254               | 62,658         |
| <b>Total</b>                      | <b>93,090</b>        | <b>106,039</b> |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 34.3 Information regarding the issuers in the mortgage market and the special accounting register

As is indicated in Note 11.2, the Parent Entity has issued mortgage bonds and, therefore, information is provided below regarding the data in the special accounting register kept by the issuing entity referred to by Article 21 of Royal Decree 716/2009 (24 April), by virtue of the provisions of Circular 7/2010, on credit institutions, which enables certain aspects of the mortgage market. The level of disclosure is that indicated by Bank of Spain Circular 5/2011 (30 November).

##### a) Asset transactions

The nominal value of the entire mortgage portfolio outstanding at 31 December 2014 and 2013 totalled €2,269,841 thousand and €1,907,196 thousand, respectively, of which those that meet the conditions to be eligible (not taking into account the calculation limits established by Article 12 of that Royal Decree) total €1,022,084 thousand and €707,338 thousand, respectively.

The nominal value of all loans and credit facilities secured by mortgages at the Entity are presented below, together with those that are eligible in accordance with the provisions of applicable legislation with respect to the calculation of the limit for issuing mortgage bonds and debentures.

|   | <u>2014</u>      | <u>2013</u>    |
|---|------------------|----------------|
| <b>Total loans (a)</b>  |                  |                |
| <b>Mortgage shares issued</b>                                   | <b>370,756</b>   | <b>399,948</b> |
| Of which: Loans on the balance sheet                            | 355,699          | 382,741        |
| <b>Mortgage transfer certificates issued</b>                    | <b>3,748</b>     | <b>4,162</b>   |
| Of which: Loans on the balance sheet                            | 600              | 630            |
| <b>Loans backing the issue of mortgage or covered bonds (a)</b> | <b>1,022,084</b> | <b>700,338</b> |
| Eligible loans (b)  | 1,022,084        | 700,338        |

(a) (a) Balance drawn down pending collection relating to loans secured by mortgages in favour of the Bank (including those acquired through mortgage shares and mortgage transfer certificates), even if they have been derecognized from the balance sheet, regardless of the percentage the risk represents compared with the amount of the latest appraisal (loan to value).

(b) (b) Eligible loans for the issue of mortgage and covered bonds in accordance with Article 3 of Royal Decree 716/2009, without deducting the limits from the calculation established in Article 12 of Royal Decree 716/2009.



## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

The principal amounts of loans and securitized mortgage loans are disclosed below, in accordance with the various characteristics of those amounts at 31 December 2014 and 2013:

|                                     | <u>2014</u>  | <u>2013</u>  |
|-------------------------------------|--|--|
|                                     | Loans backing the<br>issue of mortgage or<br>covered bonds (a) | Loans backing the<br>issue of mortgage or<br>covered bonds (a) |
| <b>1 ORIGIN OF THE TRANSACTIONS</b> |  |  |
| 1.1 Originated by the entity        | 374,505  | 406,018  |
| 1.2 Subrogations by other entities  | -  | -  |
| <b>2 CURRENCY</b>                   |  |  |
| 2.1 euros                           | 374,505  | 406,018  |
| <b>3 PAYMENT STATUS</b>             |  |  |
| 3.1 Normal payment status           | 370,020  | 401,024  |
| 3.2 Other situations                | 4,485  | 4,994  |
| <b>4 AVERAGE RESIDUAL MATURITY</b>  |  |  |
| 4.1 Up to 10 years                  | 193,762  | 199,689  |
| 4.2 Between 10 and 20 years         | 180,549  | 205,375  |
| 4.3 Between 20 and 30 years         | 194  | 954  |
| <b>5 INTEREST RATES</b>             |  |  |
| 5.1 Fixed                           | -  | -  |
| 5.2 Variable                        | 374,505  | 406,018  |
| 5.3 Mixed                           | -  | -  |
| <b>6 TYPE OF COLLATERAL</b>         |  |  |
| 6.1 Finished assets/buildings       | 374,505  | 406,018  |
| 6.1.1 Residential                   | 374,505  | 406,018  |
| <i>Of which: Subsidised housing</i> | 1,093  | 1,104  |

(a) Balance drawn down pending collection of the loans secured by mortgages, regardless of the percentage of the risk concerning the amount of the latest appraisal (loan to value) previously securitized.

In accordance with the criteria established by Article 12 of the aforementioned Royal Decree, the amount that is eligible to covered the issue of mortgage securities at 31 December 2014 and 2013 totalled €374,505 thousand and €406,018 thousand, respectively.

The Entity does not record mortgage bond issues at 31 December 2014 or 2013 and the nominal and updated values, calculated in accordance with the provisions of Article 23 of the aforementioned Royal Decree, that are still in the portfolio have been structured through mortgage shares or mortgage transfer certificates at 31 December 2014 and 2013 in the amount of €356,429 thousand and €385,427 thousand, respectively.

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The distribution of the nominal values of loans and eligible mortgage loans that have not been securitized to issue mortgage bonds and other debentures based on the risk calculated as a percentage of the amount determined in the latest available appraisal for the mortgage market is as follows at 31 December 2014 and 2013:

|  | <b>Less than or<br/>equal to<br/>40%</b> | <b>Exceeding<br/>40% and less<br/>than or equal<br/>to 60%</b> | <b>Higher than<br/>60% and<br/>Less than or<br/>equal to 80%</b> | <b>Higher<br/>than<br/>80%</b> | <b>TOTAL</b> |
|--|--|--|--|--------------------------------|--------------|
| <b>2014</b>  |  |  |  |                                |              |
| <b>Eligible loans backing the issue of mortgage or covered bonds (a)</b> |  |  |  |                                |              |
| - Housing  | 332,528                                  | 300,935  | 331,248  | 0                              | 964,711      |
| - Other  | 43,810                                   | 13,135   | 427  | 0                              | 57,372       |
| <b>2013</b>  |  |  |  |                                |              |
| <b>Eligible loans backing the issue of mortgage or covered bonds (a)</b> |  |  |  |                                |              |
| - Housing  | 162,156                                  | 216,130  | 258,130  | 0                              | 636,416      |
| - Other  | 45,079                                   | 18,295   | 548  | 0                              | 63,922       |

(a) Eligible loans for the issue of mortgage bonds less the eligibility limits established by Article 12 of Royal Decree 716/2009, and which have not been previously securitized.

(b) (b) The loan to value will be the ratio that results from dividing the amount of the latest available appraisal by the risk in force at the reporting date.

At 31 December 2014 and 2013 the Entity had not identified replacement assets for the issue of active mortgage bonds due to the fact that it does not consider it necessary since the percentage of issues compared with total eligible assets supporting those issues was, at that time, less than the maximum rate of 80% established by Law 2/1981 (25 March), on the Regulation of the Mortgage Market.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### b) Liability transactions

The issues carried out and the collateralized (issue of treasury shares) based on the Entity's loan and mortgage loan portfolio at 31 December 2014 and 2013 is as follows:

|  | 2014           |                       | 2013           |                       |
|--|----------------|-----------------------|----------------|-----------------------|
|  | Nominal value  | Average residual term | Nominal value  | Average residual term |
| <b>Mortgage securities</b>                         |                |                       |                |                       |
| <b>1 Active mortgage bonds issued</b>              |                |                       | -              | -                     |
| <b>3 Mortgage shares issued (a)</b>                | <b>337,944</b> | <b>7.88</b>           | <b>374,798</b> | <b>9.93</b>           |
| 3.1 Issued through public offerings                |                |                       |                |                       |
| 3.2 Other issues                                   | 337,944        | 7.88                  | 374,798        | 9.93                  |
| <b>4 Mortgage transfer certificates issued (a)</b> |                |                       | -              | -                     |
| 4.1 Issued through public offerings                |                |                       | -              | -                     |
| 4.2 Other issues                                   |                |                       | -              | -                     |

(a) Amount of the mortgage shares and mortgage transfer certificates issued that solely relate to the mortgage loans recorded under assets (maintained in the balance sheet).

In accordance with the provisions of Royal Decree 716/2009 (24 April), which enables certain aspects of Law 2/1981 (25 March) on mortgage market regulations and other rules governing the financial mortgage system, the Board of Directors states that at 31 December 2012 the Bank has a set of policies and procedures to guarantee compliance with mortgage market regulations. Those policies and procedures include, among other things, criteria regarding the following aspects:

- Relationship between the amount of the loan and appraised value of the mortgaged property, as well as the influence of other supplementary and the selection of appraisal companies.
- Relationship between the borrower's debt and income, as well as the verification of the information reported by borrowers, and their solvency.
- Avoid imbalances between the flows from the hedge portfolio and those deriving from the payments made as a result of the securities issued.

#### 34.4 Agency contracts

Appendix I presents the list of agents with which the Parent Entity has maintained "Agency contracts" in 2014 and 2013.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 34.5 Audit fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. relating to the audit of the 2014 consolidated annual accounts totalled €75 thousand (€75 thousand in 2013). Fees for other audit services totalled €282 thousand in 2014 (€111 thousand in 2013) and €202 thousand (€175 thousand in 2013) for services rendered by other companies that form part of the same international network, primarily relating to work performed with respect to the purchase of assets and liabilities described in Note 1.

#### 34.6 Abandoned balances and deposits

The Parent Entity does not have any balances involved with abandonment as defined by Article 18 of Law 33/2003 (3 November) on public administration assets.

#### 34.7. Information regarding the deferral of payments made to suppliers. Additional Provision Three. "Disclosures" established by Law 15/2010 (5 July)

Based on the reporting requirements established by Law 15/2010 (5 July), which amends Law 3/2004 (29 December), which establishes measures against trade receivable payment delays, and taking into consideration Transitional Provisions Two of the Resolution dated 29 December 2010 issued by the Accounting and Audit Institute, the breakdown of trade operations carried out during the year and pending payment at the year-end with respect to the legal deadlines established in that Law, is as follows.

|  | <i>Payments made and pending payment at the balance sheet closing date</i> |            |               |            |
|--|--|------------|---------------|------------|
|  | 2014   |            | 2013          |            |
|  | Thousand euro  | %          | Thousand euro | %          |
| Payments during the year within the maximum legal limit  | 42,424   | 95.38      | 35,787        | 98.73      |
| Rest   | 2,053  | 4.62       | 462           | 1.27       |
| <b>Total payments during the year</b>  | <b>44,477</b>  | <b>100</b> | <b>36,249</b> | <b>100</b> |
| <b>Average excess payment period (days)</b>  | <b>48</b>  |            | <b>113</b>    |            |
| <b>Balance pending payment at the year-end that exceeds the maximum legal limit (thousand euro).</b> | <b>90</b>  |            | <b>35</b>     |            |

#### 34.8 Customer Service Office

Article 17 of Order ECO/734/2004 (11 March) issued by the Ministry of the Economy establishes an obligation for customer service departments and services and, if appropriate, customer ombudsman, at financial institutions to present an annual report to the Board of Directors explaining the development of their duties during the preceding year.

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The summary of this report is as follows:

- Statistical summary of complaints and claims handled

In 2014 466 claims and 43 complaints were handled, which is 61 case files less than those processed in 2013. All claims were admitted and 102 remain outstanding at the end of 2014 (49 at the end of 2013).

The statistical summary of the reasons behind the complaints and claims in 2014 is as follows:

| 2014<br>Matter concerned | Complaints |             | Claims     |             | Total      |             |
|--------------------------|------------|-------------|------------|-------------|------------|-------------|
|                          | NUMBER     | %           | NUMBER     | %           | NUMBER     | %           |
| Asset transactions       | 6          | 13.95%      | 245        | 52.57%      | 251        | 49.31%      |
| Liability transactions   | 7          | 16.28%      | 133        | 28.54%      | 140        | 27.50%      |
| Other                    | 30         | 69.77%      | 88         | 18.89%      | 118        | 23.19%      |
| <b>Total</b>             | <b>43</b>  | <b>100%</b> | <b>466</b> | <b>100%</b> | <b>509</b> | <b>100%</b> |

The statistical summary for 2013 was as follows:

| 2013<br>Matter concerned | Complaints |             | Claims     |             | Total      |             |
|--------------------------|------------|-------------|------------|-------------|------------|-------------|
|                          | NUMBER     | %           | NUMBER     | %           | NUMBER     | %           |
| Asset transactions       | -          | -           | 430        | 79.78%      | 430        | 75.44%      |
| Liability transactions   | 7          | 22.58%      | 68         | 12.61%      | 75         | 13.16%      |
| Other                    | 24         | 77.42%      | 41         | 7.61%       | 65         | 11.40%      |
| <b>Total</b>             | <b>31</b>  | <b>100%</b> | <b>539</b> | <b>100%</b> | <b>570</b> | <b>100%</b> |

- Defaults:

Defaults arising in 2014 and 2013 as a result of claims received were as follows:

|                        | Thousand euro |            |
|------------------------|---------------|------------|
|                        | 2014          | 2013       |
| Asset transactions     | -             | 1.5        |
| Liability transactions | 43.8          | -          |
| Other                  | 6.8           | -          |
| <b>Total</b>           | <b>50.6</b>   | <b>1.5</b> |

## **CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

### **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

At the end of 2014 there were 26 case files (16 case files at the end of 2013) that remained pending resolution and the total amount claimed is €6.6 thousand (€18 thousand in 2013).

- Areas of improvement

The number of complaints and claims filed by the customers of the Parent Entity this year and their positive evolution, which has been their trend over the past few years, reveal that is not necessary to design specific action plans.

A personalized letter will be sent to those offices that were involved with three or more claims informing them of this circumstance.

#### **34.9 Environmental impact**

Given the activities with which the Company is involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to its equity, financial situation and results. For this reason no specific breakdowns are provided in these Notes to the annual accounts regarding environmental information.

#### **34.10 Other commitments**

At 31 December 2014 and 2013 the Group did not have any commitments in addition to those disclosed in the preceding notes:

### **35. EVENTS AFTER THE BALANCE SHEET DATE**

Between 31 December 2014 and the date on which the Governing Council at the Parent Entity prepared the consolidated annual accounts, no significant event has taken place that should be included in the accompanying consolidated annual accounts so that they adequately reflect a true and fair view of the equity, financial situation and the results of the Group.

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### EXHIBIT I: LIST OF FINANCIAL AGENTS IN 2014

| <b>Name</b>                       | <b>Agency</b>                         |
|-----------------------------------|---------------------------------------|
| Gomez Martinez Santiago           | Aldeanueva De S.Bartolome, Toledo     |
| Mencia Fernandez Julia            | Buenasbodas, Toledo                   |
| De la Flor Villarrubia Jose María | Cazalegas, Toledo                     |
| Moreno de Castro Jesus            | El Puente del Arzobispo, Toledo       |
| Garcia Antonia                    | Hinojosa De San Vicente, Toledo       |
| Sanchez Gonzalez Yolanda          | Pelahustan, Toledo                    |
| Perez Garcia Maria Luz            | Robledo Del Mazo, Toledo              |
| Perez Garcia Pedro Luis           | Segurilla, Toledo                     |
| Muñoz Sanchez Florencia           | Sevilleja De La Jara, Toledo          |
| Martinez Chana Alvaro             | Almonacid Del Marquesado, Cuenca      |
| Jimenez Dominguez Pedro Luis      | Arcas, Cuenca                         |
| Monreal Malpesa Adolfo            | Belmonte, Cuenca                      |
| Lopez Yuri                        | Campillo De Altobuey, Cuenca          |
| Garrido Guijarro Javier           | Cañamares, Cuenca                     |
| Molina Lopez Raquel               | Casas de Fernando Alonso, Cuenca      |
| Montejano Cuesta Joana            | Casasimarro, Cuenca                   |
| Redondo De San Juan Raymond       | El Provencio, Cuenca                  |
| Morales Tirez Pedro               | Fuente De Pedro Naharro, Cuenca       |
| Lopez Fernandez Sandra            | Honrubia, Cuenca                      |
| Aquero Urbanos Antonio            | Horcajo de Santiago, Cuenca           |
| Romero Mora Alicia                | Iniesta, Cuenca                       |
| Garcia Huerta Julian Antonio      | La Alberca del Zancara, Cuenca        |
| Irnan Fernandez Ana Maria         | Las Mesas, Cuenca                     |
| Cano Campos Sara                  | Las Pedroñeras, Cuenca                |
| Moya Lucas David                  | Las Valeras, Cuenca                   |
| Garcia Gil Clarencio              | Ledaña, Cuenca                        |
| Ramirez García Rut                | Los Hinojosos, Cuenca                 |
| Hervas Puig David                 | Minglanilla, Cuenca                   |
| Moreno Saiz Ana Maria             | Motilla Del Palancar, Cuenca          |
| Monteagudo Blesa Santiago         | Sisante, Cuenca                       |
| Gomez Alarcon Miguel Angel        | Valverde Del Jucar, Cuenca            |
| Martinez Poyatos Ivan             | Villalba De La Sierra, Cuenca         |
| Alarcon Rodenas Diego Antonio     | Villanueva de la Jara, Cuenca         |
| Medina Rodriguez Maria Esther     | Villar De Cañas, Cuenca               |
| Flores Garcia Maria Del Carmen    | Villarrubio , Cuenca                  |
| Cocera Villena Otilia             | Abengibre, Albacete                   |
| Chillerón García Jose Antonio     | Aguas Nuevas, Albacete                |
| Jimenez Valera Maria Sirena       | Alatoz, Albacete                      |
| Rubio Martinez Cristina           | Alcaraz, Albacete                     |
| Moreno Corredor Guadalupe         | Alpera, Albacete                      |
| Moreno Gonzalez Jesus             | Ayna, Albacete                        |
| Garcia Del Toro Maria Jose        | Balazote, Albacete                    |
| Gonzalez Castillo Maria Isabel    | Barrax, Albacete                      |
| Davia Gomez Maria Pilar           | Casas De Juan Nuñez, Albacete         |
| Huesca Menor Vicenta              | Caudete (Albacete)                    |
| Castillo Garcia Miguel            | Cenizate, Albacete                    |
| Alcantud Ibañez Juan Narciso      | Chinchilla del Monte-Aragon, Albacete |
| Zornoza Requena Ana Jose          | Corral-Rubio, Albacete                |
| Fernandez Calero Laura            | El Bonillo, Albacete                  |
| Rodriguez Hermosa Angel Ricardo   | Elche De La Sierra, Albacete          |
| Garcia Morcillo Francisco         | Fuente-Alamo, Albacete                |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

|  |                                       |
|--|---------------------------------------|
| Sanchez Zafra Pablo                    | Fuentealbilla, Albacete               |
| Mateo Cebrian Begoña                   | Higueruela, Albacete                  |
| Callado Montoya Sacramentos            | Isso, Albacete                        |
| Garcia Rey Jorge                       | La Gineta, Albacete                   |
| Oñate Talaya Enrique                   | Madrigueras, Albacete                 |
| Sáez Jiménez Oscar Jesús               | Minaya, Albacete                      |
| Muñoz Megías Rafael                    | Montealegre Del Castillo, Albacete    |
| Ortega Alcañiz Jose                    | Munera, Albacete                      |
| Lazaro Sanchez Palmira                 | Ontur, Albacete                       |
| Fernandez Gabaldon Diego               | Ossa de Montiel, Albacete             |
| Callejas Moreno Juan                   | Peñas De San Pedro, Albacete          |
| Garcia Lopez Maria Teresa              | Pozo Cañada, Albacete                 |
| Fernandez Lara Miguel Jesus            | Riopar, Albacete                      |
| Simarro Gomez Juan Jose                | Salobre, Albacete                     |
| Marqueño Rosa Jose Maria               | San Pedro, Albacete                   |
| Blazquez Fernandez Maria Begoña        | Socovos, Albacete                     |
| Torres Torees Juan Miguel              | Tarazona De La Mancha, Albacete       |
| Boj Iniesta Sonia                      | Tobarra, Albacete                     |
| Lorenzo Heras Soler                    | Valdeganga, Albacete                  |
| Bermudez Olivares Beatriz              | Villaverde De Guadalimar, Albacete    |
| Gonzalez Rodriguez Marta               | Yeste, Albacete                       |
| Garcia Bravo Damian                    | Abenojar, Ciudad Real                 |
| Maria Rosa Fernandez Ramiro            | Agudo, Ciudad Real                    |
| Muñoz Galvez Esther                    | Alcoba, Ciudad Real                   |
| Tapiador Ruiz Pedro                    | Alcolea de Calatrava, Ciudad Real     |
| Sanchez Muñoz de la Nava Antonio       | Almaden, Ciudad Real                  |
| Romero Moreno Veronica                 | Almodovar Del Campo, Ciudad Real      |
| Morno Rincon Luis Fernando             | Arenas de San Juan, Ciudad Real       |
| Salazar Rodriguez Beatriz              | Argamasilla del Alba, Ciudad Real     |
| Torres Barba M <sup>a</sup> del Carmen | Argamasilla de Calatrava, Ciudad Real |
| Viñas Calvo Sheila                     | Brazatortas, Ciudad Real              |
| Espinosa Moya Carlos                   | Calzada de Calatrava, Ciudad Real     |
| Castillo Fernandez Francisco José      | Carrión de Calatrava, Ciudad Real     |
| Martinez Fernandez Rosa María          | Castellar de Santiago, Ciudad Real    |
| Talavera Martin Serrano Manuela        | Chillon, Ciudad Real                  |
| Privado Fernandez Raquel               | Fernan Caballero, Ciudad Real         |
| Luna Alvarez Francisco                 | Fuencaliente, Ciudad Real             |
| Peinado Escaso Juan Carlos             | Fuente El Fresno, Ciudad Real         |
| Alcaide Hontanilla Elena               | Horcajo de los Montes, Ciudad Real.   |
| Nicolas Blasco Maria Jesus             | Puebla De Don Rodrigo, Ciudad Real    |
| Marin Garcia Cervigon Juana Inmaculada | Solana (La) , Ciudad Real             |
| Merino Martin M <sup>a</sup> Luisa     | Malagón, Ciudad Real                  |
| Moreno Jimenez Diego                   | Membrilla, Ciudad Real                |
| Rojas Rivero Jose Vicente              | Miguelturra, Ciudad Real              |
| Ruiz Lopez Miguel Angel                | Moral De Calatrava, Ciudad Real       |
| Castro Guillen Antonio                 | Piedrabuena, Ciudad Real              |
| Diaz Matamoros María Oroa              | Poblete, Ciudad Real                  |
| Gomez Garcia Juan Jose                 | Porzuna, Ciudad Real                  |
| Caminero Hervas Eulalio                | Pozuelo De Calatrava, Ciudad Real     |
| Garcia Maroto Fernandez Sonia          | Puertollano, Ciudad Real              |
| Torres Bellon Carmen                   | San Carlos Del Valle, Ciudad Real     |
| Garrido Villena Jesus                  | Santa Cruz De Mudela, Ciudad Real     |
| Pedraza Alonso Alejandro Javier        | Socuellamos, Ciudad Real              |
| Castillo Cabrera Maria Angeles         | Terrinches, Ciudad Real               |



**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31  
DECEMBER 2014**

|  |                                      |
|--|--------------------------------------|
| Pérez Sanchez Antonio                    | Torralba de Calatrava, Ciudad Real   |
| Serrano Martin Rafael                    | Torrenueva, Ciudad Real              |
| Piñero Diaz Francisco Javier             | Villahermosa, Ciudad Real            |
| Fernandez Morenoi M <sup>a</sup> Dolores | Villanueva de la Fuente, Ciudad Real |
| Casero Blazquez Maria Del Rocio          | Villanueva Los Infantes, Ciudad Real |
| Redondo Jimenez Mariano                  | Villarrubia De Los Ojos, Ciudad Real |
| Pedroviejo Tortuero Manuel               | Alovera, Guadalajara                 |
| Castro Frias Marta                       | Azuqueca De Henares, Guadalajara     |
| Zahonero Caballero Maria Teresa          | Cabanillas Del Campo, Guadalajara    |
| Portal Ecija Victor Manuel               | Sacedón, Guadalajara                 |
| Lechuga Mariñas Nuria                    | Meco, Madrid                         |
| Gonzalez Rivas Maria                     | Orusco De Tajuña, Madrid             |
| García Berlinches Jenaro Mariano         | Paracuellos del Jarama, Madrid       |
| Martin Fernandez Hugo                    | Casavieja, Ávila                     |
| Rodriguez Escudero Ana                   | Cebreros, Ávila                      |
| García Hernandez Alberto                 | El Tiemblo, Ávila                    |
| Sanchez Soto Laura                       | Gavilanes, Ávila                     |
| San Sanchez Perla                        | Las Navas del Marqués, Ávila         |
| Gómez Gonzalez David                     | Mombeltrán, Ávila                    |
| Fernandez Pinedo Quiros Silvia           | Navaluenga, Ávila                    |
| Jimenez Escribano Ana María              | Piedralaves, Ávila                   |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### EXHIBIT I: LIST OF FINANCIAL AGENTS IN 2013

| <b>Name</b>                                 | <b>Agency</b>                           |
|---|---|
| Gómez Martínez Santiago                     | Aldeanueva De S. Bartolomé, Toledo      |
| Mencia Fernández Julia                      | Buenasbodas, Toledo                     |
| Sánchez González Yolanda                    | Pelahustan, Toledo                      |
| Pérez García María Luz                      | Robledo Del Mazo, Toledo                |
| Muñoz Sánchez Florencia                     | Sevilleja De La Jara, Toledo            |
| García Antonia                              | Hinojosa De San Vicente, Toledo         |
| González Rivas María                        | Orusco De Tajuña, Madrid                |
| Pérez García Pedro Luis                     | Segurilla, Toledo                       |
| Zahonero Caballero María Teresa             | Cabanillas Del Campo, Guadalajara       |
| Vioque Lorenzo Manuel                       | Azuqueca De Henares, Guadalajara        |
| Bermúdez Olivares Beatriz                   | Villaverde De Guadalimar, Albacete      |
| Fernández Lara Miguel Jesús                 | Riopar, Albacete                        |
| Alcantud Ibáñez Juan Narciso                | Chinchilla De Monte-Aragón, Ciudad Real |
| Sánchez Zafra Pablo                         | Fuentealbilla, Albacete                 |
| González Rodríguez Marta                    | Yeste, Albacete                         |
| Huesca Menor Vicenta                        | Caudete (Albacete)                      |
| García Morcillo Francisco                   | Fuente-Álamo, Albacete                  |
| Callejas Moreno Juan                        | Peñas De San Pedro, Albacete            |
| Marqueño Rosa Jose María                    | San Pedro, Albacete                     |
| Lorenzo Heras Soler                         | Valdeganga, Albacete                    |
| Moreno Corredor Guadalupe                   | Alpera, Albacete                        |
| Callado Montoya Sacramentos                 | Isso, Albacete                          |
| Ortega Alcañiz Jose                         | Munera, Albacete                        |
| Zornoza Requena Ana Jose                    | Corral-Rubio, Albacete                  |
| Muñoz Megias Rafael                         | Montealegre Del Castillo, Albacete      |
| Davía Gómez María Pilar                     | Casas De Juan Núñez, Albacete           |
| Rodríguez Hermosa Ángel Ricardo             | Elche De La Sierra, Albacete            |
| Picazo Cebrián Antonio                      | Tarazona De La Mancha, Albacete         |
| Cocera Villena Otilia                       | Abengibre, Albacete                     |
| Moreno González Jesús                       | Ayna, Albacete                          |
| García Del Toro María Jose                  | Balazote, Albacete                      |
| Boj Iniesta Sonia                           | Tobarra, Albacete                       |
| García López María Teresa                   | Pozo Cañada, Albacete                   |
| García Rey Jorge                            | La Gineta, Albacete                     |
| Mateo Cebrián Begoña                        | Higueruela, Albacete                    |
| García Maroto Fernández Sonia               | Puertollano, Ciudad Real                |
| Romero Moreno Verónica                      | Almodóvar Del Campo, Ciudad Real        |
| Talavera Martin Serrano Manuela             | Chillón, Ciudad Real                    |
| Caminero Hervas Eulalio                     | Pozuelo De Calatrava, Ciudad Real       |
| Redondo Jiménez Mariano                     | Villarrubia De Los Ojos, Ciudad Real    |
| María Rosa Fernández Ramiro                 | Agudo, Ciudad Real                      |
| Ruiz López Miguel Ángel                     | Moral De Calatrava, Ciudad Real         |
| Fernández-Cañadas García-Peñuela Jose Ángel | Herencia, Ciudad Real                   |
| Gómez García Juan Jose                      | Porzuna, Ciudad Real                    |
| Marin García Cervigón Juana Inmaculada      | Solana (La) , Ciudad Real               |
| Casero Blázquez María Del Rocío             | Villanueva Los Infantes, Ciudad Real    |

## CAJA RURAL DE CASTILLA-LA MANCHA GROUP

### NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

| <b>Name</b>                          | <b>Agency</b>                      |
|--------------------------------------|------------------------------------|
| Torres Juan Miguel                   | Terrinches, Ciudad Real            |
| Pedraza Alonso Alejandro Javier      | Socuellamos, Ciudad Real           |
| Muñoz Gálvez Esther                  | Alcoba, Ciudad Real                |
| Camacho Bernal María De Las Mercedes | Viso Del Marques, Ciudad Real      |
| García Bravo Damián                  | Abenojar, Ciudad Real              |
| Rojas Rivero Jose Vicente            | Miguelturra, Ciudad Real           |
| Castro Guillen Antonio               | Piedrabuena, Ciudad Real           |
| Luna Álvarez Francisco               | Fuencaliente, Ciudad Real          |
| Serrano Martin Rafael                | Torrenueva, Ciudad Real            |
| Piñero Díaz Francisco Javier         | Villahermosa, Ciudad Real          |
| Torres Bellon Carmen                 | San Carlos Del Valle, Ciudad Real  |
| Peinado Escaso Juan Carlos           | Fuente El Fresno, Ciudad Real      |
| Nicolás Blasco María Jesús           | Puebla De Don Rodrigo, Ciudad Real |
| Garrido Villena Jesús                | Santa Cruz De Mudela, Ciudad Real  |
| Pereira Hierro María Ester           | Fernán Caballero, Ciudad Real      |
| Picazo Ruiperez Faustino Antonio     | Quintanar Del Rey, Cuenca          |
| Martínez Chana Álvaro                | Almonacid Del Marquesado, Cuenca   |
| López Yuri                           | Campillo De Altobuey, Cuenca       |
| Martínez Poyatos Iván                | Villalba De La Sierra, Cuenca      |
| García Gil Clarencio                 | Ledaña, Cuenca                     |
| Medina Rodríguez María Esther        | Villar De Cañas, Cuenca            |
| Moreno Saiz Ana María                | Motilla Del Palancar, Cuenca       |
| Romero Mora Alicia                   | Iniesta, Cuenca                    |
| Flores García María Del Carmen       | Villarrubio , Cuenca               |
| Sánchez Raboso Seve Jesús            | Fuente De Pedro Naharro, Cuenca    |
| López Fernández Sandra               | Honrubia, Cuenca                   |
| Santoyo Alonso Javier                | Arcas, Cuenca                      |
| Monreal Malpesa Adolfo               | Belmonte, Cuenca                   |
| Hervas Puig David                    | Minglanilla, Cuenca                |
| Montejano Cuesta Joana               | Casasimarro, Cuenca                |
| Cano Campos Sara                     | Las Pedroñeras, Cuenca             |
| Martínez Hernández Azahara           | Los Hinojosos, Cuenca              |
| Redondo De San Juan Raymond          | El Provencio, Cuenca               |
| Gómez Alarcón Miguel Ángel           | Valverde Del Júcar, Cuenca         |

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

EXHIBIT II: Effects of the legislative change on the balance sheet at 31 December 2012

| <b>ASSETS</b>  | Effect of the legislative change | Thousand euro               |                             |
|--|----------------------------------|-----------------------------|-----------------------------|
|  |                                  | Original balance 31/12/2012 | Restated balance 31/12/2012 |
| <b>Cash and deposits at central banks</b>                          | -                                | 119,644                     | 119,644                     |
| <b>Trading portfolio</b>   | -                                | 16                          | 16                          |
| Bank deposits  | -                                | -                           | -                           |
| Customer loans   | -                                | -                           | -                           |
| Debt securities  | -                                | 16                          | 16                          |
| Equity instruments   | -                                | -                           | -                           |
| Derivatives held for trading                                       | -                                | -                           | -                           |
| <b>Other financial assets at fair value through profit or loss</b> | -                                | 63                          | 63                          |
| Bank deposits  | -                                | -                           | -                           |
| Customer loans   | -                                | -                           | -                           |
| Debt securities  | -                                | 63                          | 63                          |
| Equity instruments   | -                                | -                           | -                           |
| <b>Available-for-sale financial assets</b>                         | -                                | 1,262,265                   | 1,262,265                   |
| Debt securities  | -                                | 1,243,977                   | 1,243,977                   |
| Equity instruments   | -                                | 18,288                      | 18,288                      |
| <b>Loans</b>   | -                                | 3,146,514                   | 3,146,514                   |
| Bank deposits  | -                                | 928,257                     | 928,257                     |
| Customer loans   | -                                | 2,218,257                   | 2,218,257                   |
| Debt securities  | -                                | -                           | -                           |
| <b>Held-to-maturity investment portfolio</b>                       | -                                | 40,000                      | 40,000                      |
| <b>Adjustments to financial assets due to macro-hedging</b>        | -                                | -                           | -                           |
| <b>Hedge derivatives</b>   | -                                | -                           | -                           |
| <b>Non-current assets for sale</b>                                 | -                                | 23,290                      | 23,290                      |
| <b>Shares</b>  | -                                | -                           | -                           |
| Associates   | -                                | -                           | -                           |
| Jointly controlled companies                                       | -                                | -                           | -                           |
| Group companies  | -                                | -                           | -                           |
| <b>Insurance policies associated with pensions</b>                 | -                                | -                           | -                           |
| <b>Assets held for reinsurance</b>                                 | -                                | -                           | -                           |
| <b>Property, plant and equipment</b>                               | -                                | 37,517                      | 37,517                      |
| Property, plant and equipment                                      | -                                | 37,517                      | 37,517                      |
| For own use  | -                                | 37,517                      | 37,517                      |
| Assigned under operating lease                                     | -                                | -                           | -                           |
| Associated with the Education and Development                      | -                                | -                           | -                           |
| Fund   | -                                | -                           | -                           |
| Investment properties  | -                                | -                           | -                           |
| <b>Intangible assets</b>   | -                                | 1,418                       | 1,418                       |
| Goodwill   | -                                | -                           | -                           |
| Other intangible assets  | -                                | 1,418                       | 1,418                       |
| <b>Tax assets</b>  | 721                              | 18,559                      | 19,280                      |
| Current  | 721                              | 778                         | 1,499                       |
| Deferred   | -                                | 17,781                      | 17,781                      |
| <b>Other assets</b>  | -                                | 13,329                      | 13,329                      |
| Inventories  | -                                | 177                         | 177                         |
| Rest   | -                                | 13,152                      | 13,152                      |
| <b>TOTAL ASSETS</b>  | <b>721</b>                       | <b>4,662,615</b>            | <b>4,663,336</b>            |

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

|   |  | Thousand<br>euro                  |                                   |
|---|--|-----------------------------------|-----------------------------------|
|   | Effect of the<br>legislative<br>change | Original<br>balance<br>31/12/2012 | Restated<br>balance<br>31/12/2012 |
| <b>LIABILITIES</b>  |  |                                   |                                   |
| <b>Trading portfolio</b>  | -                                      | 16                                | 16                                |
| Deposits at central banks   | -                                      | -                                 | -                                 |
| Deposits at credit institutions   | -                                      | -                                 | -                                 |
| Customer deposits   | -                                      | -                                 | -                                 |
| Debts represented by marketable securities                              | -                                      | -                                 | -                                 |
| Derivatives held for trading  | -                                      | 16                                | 16                                |
| Short securities positions  | -                                      | -                                 | -                                 |
| Other financial liabilities   | -                                      | -                                 | -                                 |
| <b>Other financial liabilities at fair value through profit or loss</b> | -                                      | -                                 | -                                 |
| Deposits at central banks   | -                                      | -                                 | -                                 |
| Deposits at credit institutions   | -                                      | -                                 | -                                 |
| Customer deposits   | -                                      | -                                 | -                                 |
| Debts represented by marketable securities                              | -                                      | -                                 | -                                 |
| Subordinated debt   | -                                      | -                                 | -                                 |
| Other financial liabilities   | -                                      | -                                 | -                                 |
| <b>Financial liabilities at amortised cost</b>                          | 5,426                                  | 4,311,054                         | 4,316,480                         |
| Deposits at central banks   | -                                      | 729,479                           | 729,479                           |
| Deposits at credit institutions   | -                                      | 597,619                           | 597,619                           |
| Customer deposits   | -                                      | 2,915,343                         | 2,915,343                         |
| Debts represented by negotiable securities                              | -                                      | 50,485                            | 50,485                            |
| Subordinated debt   | -                                      | -                                 | -                                 |
| Other financial liabilities   | 5,426                                  | 18,128                            | 23,554                            |
| <b>Adjustments to financial liabilities due to macro-hedging</b>        | -                                      | -                                 | -                                 |
| <b>Hedge derivatives</b>  | -                                      | -                                 | -                                 |
| <b>Liabilities associated with non-current assets for sale</b>          | -                                      | -                                 | -                                 |
| <b>Insurance policy liabilities</b>                                     | -                                      | -                                 | -                                 |
| <b>Provisions</b>   | -                                      | 8,901                             | 8,901                             |
| Provisions for pensions and similar liabilities                         | -                                      | -                                 | -                                 |
| Provisions for taxes and other legal contingencies                      | -                                      | -                                 | -                                 |
| Provisions for contingent liabilities and charges                       | -                                      | 1,333                             | 1,333                             |
| Other provisions  | -                                      | 7,568                             | 7,568                             |
| <b>Tax liabilities</b>  | -                                      | 9,468                             | 9,468                             |
| Current   | -                                      | 818                               | 818                               |
| Deferred  | -                                      | 8,650                             | 8,650                             |
| <b>Development and Education Fund</b>                                   | -                                      | 1,409                             | 1,409                             |
| <b>Other liabilities</b>  | -                                      | 24,193                            | 24,193                            |
| <b>TOTAL LIABILITIES</b>  | 5,426                                  | 4,355,041                         | 4,360,467                         |

**CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

|   | Effect of the legislative change | Thousand euro               |                             |
|---|----------------------------------|-----------------------------|-----------------------------|
|   |                                  | Original balance 31/12/2012 | Restated balance 31/12/2012 |
| <b>Capital and reserves</b>                                   | <b>(4,705)</b>                   | <b>294,459</b>              | <b>289,754</b>              |
| Capital or appropriation fund                                 | -                                | 41,181                      | 41,181                      |
| Authorized  | -                                | 41,181                      | 41,181                      |
| Less: uncalled capital  | -                                | -                           | -                           |
| Share premium account   | -                                | -                           | -                           |
| Reserves  | -                                | 249,828                     | 249,828                     |
| Accumulated reserves (losses)                                 | -                                | 249,828                     | 249,828                     |
| (Losses)/reserves in entities carried under the equity method | -                                | -                           | -                           |
| Other equity instruments                                      | -                                | -                           | -                           |
| Compound financial instruments                                | -                                | -                           | -                           |
| Participating shares and associated funds (Savings Banks)     | -                                | -                           | -                           |
| Other equity instruments                                      | -                                | -                           | -                           |
| Less: Treasury shares   | -                                | -                           | -                           |
| Results for the year attributable to the parent entity        | -                                | 3,450                       | (1,255)                     |
| Less: Dividends and remuneration                              | -                                | -                           | -                           |
| <b>Measurement adjustments</b>                                | -                                | <b>11,134</b>               | <b>11,134</b>               |
| Available-for-sale financial assets                           | -                                | 11,134                      | 11,134                      |
| Cash flow hedging   | -                                | -                           | -                           |
| Net investment hedge of a foreign operation                   | -                                | -                           | -                           |
| Exchange differences  | -                                | -                           | -                           |
| Non-current assets for sale                                   | -                                | -                           | -                           |
| Entities measured using the equity method                     | -                                | -                           | -                           |
| Other measurement adjustments                                 | -                                | -                           | -                           |
| <b>Minority interests</b>                                     | -                                | <b>1,981</b>                | <b>1,981</b>                |
| Measurement adjustments                                       | -                                | -                           | -                           |
| Other   | -                                | 1,981                       | 1,981                       |
| <b>TOTAL EQUITY</b>   | <b>(4,705)</b>                   | <b>307,574</b>              | <b>302,869</b>              |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           | <b>721</b>                       | <b>4,662,615</b>            | <b>4,663,336</b>            |
| <b>MEMORANDUM ITEMS</b>                                       |                                  |                             |                             |
| Contingent liabilities  | -                                | 200,338                     | 200,338                     |
| Contingent commitments  | -                                | 389,185                     | 389,185                     |
|   | -                                | <b>589,523</b>              | <b>589,523</b>              |

CAJA RURAL DE CASTILLA-LA MANCHA GROUP

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

|   |  | Thousand<br>euro                                     |   |
|---|--|--|---|
|   | Effect of the<br>legislative<br>change | Original<br>profit and<br>loss account<br>31/12/2012 | Restated<br>profit and<br>loss<br>account<br>31/12/2012 |
| Interest and similar income   | -                                      | 148,756  | 148,756   |
| Interest and similar expenses   | -                                      | (68,824)   | (68,824)  |
| Compensation for capital repayable on demand  | -                                      | -  | -   |
| <b>INTEREST MARGIN</b>  | -                                      | <b>79,932</b>  | <b>79,932</b>   |
| Return on equity instruments  | -                                      | 1,234  | 1,234   |
| Results from entities measured using the equity method                                  | -                                      | -  | -   |
| Fees received   | -                                      | 15,234   | 15,234  |
| Fees paid   | -                                      | (1,745)  | (1,745)   |
| Profits from financial transactions (net)   | -                                      | 5,685  | 5,685   |
| Trading portfolio   | -                                      | (216)  | (216)   |
| Other financial instruments at fair value through changes in profit or loss             | -                                      | (3,401)  | (3,401)   |
| Other financial instruments not stated at fair value through changes in profit or loss  | -                                      | 8,942  | 8,942   |
| Other   | -                                      | 360  | 360   |
| Exchange differences (net)  | -                                      | 49   | 49  |
| Other operating revenues  | -                                      | 9,076  | 9,076   |
| Income from insurance and reinsurance policies issued                                   | -                                      | -  | -   |
| Sales and income from non-financial services rendered                                   | -                                      | 7,804  | 7,804   |
| Other operating revenues  | -                                      | 1,272  | 1,272   |
| Other operating charges   | (5,426)                                | (6,792)  | (12,218)  |
| Expenses for insurance and reinsurance policies   | -                                      | -  | -   |
| Change in inventories   | -                                      | -  | -   |
| Other operating expenses  | (5,426)                                | (6,792)  | (12,218)  |
| <b>GROSS MARGIN</b>   | <b>(5,426)</b>                         | <b>102,673</b>                                       | <b>97,247</b>   |
| Administration expenses   | -                                      | (57,146)   | (57,146)  |
| Personnel expenses  | -                                      | (39,251)   | (39,251)  |
| Other general administrative expenses   | -                                      | (17,895)   | (17,895)  |
| Depreciation/Amortisation   | -                                      | (2,243)  | (2,243)   |
| Appropriations to provisions (net)  | -                                      | (7,628)  | (7,628)   |
| Asset impairment losses (net)   | -                                      | (23,429)   | (23,429)  |
| Loans   | -                                      | (23,279)   | (23,279)  |
| Other financial instruments not stated at fair value through profit or loss             | -                                      | (150)  | (150)   |
| <b>RESULTS FROM OPERATIONS</b>  | <b>(5,426)</b>                         | <b>12,227</b>  | <b>6,801</b>  |
| Impairment losses on other assets (net)   | -                                      | (2,025)  | (2,025)   |
| Goodwill and other intangible assets  | -                                      | (1,758)  | (1,758)   |
| Other assets  | -                                      | (267)  | (267)   |
| Gain/(loss) on the disposal of assets not classified as non-current assets for sale     | -                                      | (1,006)  | (1,006)   |
| Losses on business combinations   | -                                      | -  | -   |
| Gains/(Losses) on non-current assets for sale not classified as discontinued operations | -                                      | (5,842)  | (5,842)   |
| <b>PROFIT/(LOSS) BEFORE INCOME TAX</b>  | <b>(5,426)</b>                         | <b>3,354</b>   | <b>(2,072)</b>  |
| Corporate income tax  | 721                                    | 366  | 1,087   |
| Mandatory appropriation to community projects and social funds                          | -                                      | (195)  | (195)   |
| <b>PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS</b>                                | <b>(4,705)</b>                         | <b>3,525</b>   | <b>(1,180)</b>  |
| Gain/ loss on discontinued operations (net)   | -                                      | -  | -   |
| <b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>  | <b>(4,705)</b>                         | <b>3,525</b>   | <b>(1,180)</b>  |
| Result attributed to the Parent Entity  | (4,705)                                | 3,450  | (1,255)   |
| Result attributed to minority shareholders  | -                                      | 75   | 75  |

## **CAJA RURAL DE CASTILLA-LA MANCHA GROUP**

### **CONSOLIDATED DIRECTORS' REPORT FOR 2014**

The Entity's profits before taxes at the end of 2014 totalled €18,870 thousand, which is a 187.83% increase over 2013. The annual variance, after restating the 2013 figures as a result of the change in the accounting policies described in Note 2.c, represents an increase of 413.77% compared to 2013.

The Entity's total assets amounted to €6,669,013 thousand which is 21.81% higher than in 2013. The annual variance, after restating the 2013 figures as a result of the change in the accounting policies described in Note 2.c, represents an increase of the same amount.

#### **Deposits at credit institutions and available- for- sale financial assets**

As a result of the increase in the possibilities regarding the active management of the Entity's cash in 2014, the figure indicated in these headings has increased.

The two groups showed positive development such that the amount directly under management by the Entity through other financial intermediaries rose from €1,324,242 thousand in 2013 to €1,367,942 thousand in 2014, while available-for-sale financial assets totalled €2,192,581 thousand in 2014, compared to €1,500,212 thousand in 2013.

#### **Customer loans**

The heading Loan investments, specifically the line Customer Loans without measurement adjustments, reflects an amount of €2,897,610 thousand in 2014. We note that the Entity's default ratio was 3.33% at the end of 2014, which is one of the best ratios in the sector at the national level.

The containment of the doubtful asset balance provides a clear indication of the efforts that have been made with respect to monitoring and claiming irregular transactions, either through the courts or friendly agreements, as well as the high quality of the loan portfolio which is the result of the traditional policy of controlling, minimizing and diversifying risk. The current situation of doubtful balances at the Entity, as well as the insolvency funds, place the coverage ratio at 109.47%.

Similarly, and as a supplement, it is advisable to note the interest rate on financing transactions, especially those relating to cooperative members for which in many cases the Entity offers very competitive conditions. All of this policy is the result of the principle of solidarity and cooperation that drives the Entity in most of its actions.

#### **Customer deposits**

The heading customer deposits grew by 25.34% with respect to the figure at the end of 2014, to the amount of €4,662,280 thousand, and the largest increase was with term deposits. The contribution made by the offices opened within the framework of the Entity's expansion plan is notable.

With this data it is important to note the confidence that customers continue to have in Caja Rural de Castilla-La Mancha, which is the result of the excellent overall investment conditions it offers, as well as its professionalism and courteous treatment.



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#### **Capital and reserves**

In 2014 the Entity's capital and reserves was €313,585 thousand.

In accordance with the calculations carried out in accordance with current legislation at 31 December 2014, eligible equity totalled €331,854 thousand, which represents a solvency ratio of 13.11%, compared with the 8% required by Bank of Spain regulations. This means that there was an excess in capital and reserves over the required amount totalling €129,393 thousand.

In 2012 Royal Decree-Law 2412/2012 (28 February) on the strengthening of the financial system was repealed by Law 9/2012 (14 November), on the restructuring and refinancing of credit institutions, which has changed the 8% general requirement for principal capital and the 10% established for entities with difficult access to capital markets and for which wholesale financing predominates, into a single 9% requirement that must be met by those entities or groups starting on 1 January 2013.

The ordinary tier 1 capital ratio is 12.21%.

Together with the matters already mentioned in the heading regarding credit investment in excess of the coverage for doubtful balances, this means that the Entity's solvency continues to be strengthened.

#### **Transfer of assets and liabilities from Barclays Bank S.A.U. and Banco Caixa Geral**

In 2014 certain assets and liabilities were transferred from the network of 14 branch offices operated by Barclays Bank, S.A.U. Together with the transaction in 2013, this transaction was a milestone in the Bank's development.

Another transfer of certain assets and liabilities from a 4 branch office network operated by Banco Caixa Geral S.A. was also carried out.

#### **Information regarding the average payment period for suppliers**

The average weighted payment period for suppliers in 2014 was 14.47 days, which falls within the legal parameters that have been established.

#### **Projections for 2015**

The Bank took firm steps with respect to its consolidation as a leading entity in its sector throughout its area of influence in 2014, and it traditionally focused on the provinces of Toledo, Guadalajara, Madrid and Ávila (which adjoin the province of Toledo).

The Entity currently has 353 points of sale, 60 more than in 2013. In 2015 new offices will continue to be opened in various locations in the provinces covered by the expansion plan (Ciudad Real, Cuenca and Albacete).

The healthy balance sheet possessed by Caja Rural de Castilla-La Mancha at 31 December 2014 will allow the Entity's expansion plan to continue, which will bring an improvement in the structure and the services that the Entity offers to its customers and members.

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**Subsequent events**

No events have taken place after the end of 2014 that have not been mentioned in the Entity's notes to the annual accounts.

**Other information**

The Company has not carried out any operations with treasury shares during the year.