Unnim Banc, S.A.

Audit report,
Annual Accounts at 31 December 2011 and
Directors' Report for 2011

pwc

This version of our report is a free translation from 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

REPORT OF THE AUDITORS ON THE ANNUAL ACCOUNTS

To the Single Shareholder of Unnim Banc, S.A.:

1. We have audited the annual accounts of Unnim Banc, S.A. consisting of the balance sheet at 31 December 2011, the income statement, the statement of changes in equity, the cash flow statement and related notes to the annual accounts for the year then ended. The directors are responsible for the preparation of the annual accounts in accordance with the financial reporting framework applicable to the Entity (which is identified in Note 1.3 of the attached notes) and, in particular, with the accounting principles and standards contained therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work we performed. Except for the matter mentioned in paragraph 2 below, our work was carried out in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

2. As is indicated in Note 22 of the accompanying notes to the annual accounts, at 31 December 2011 the Entity included deferred tax assets and liabilities totalling €967,361 thousand and €310,468 thousand, respectively, in the accompanying annual accounts. The Entity's provisional Directors, designated by the Ordered Banking Restructuring Fund (FROB) does not consider it precise to prepare the financial projections that support the recovery of the aforementioned deferred tax assets within a reasonable time due to the fact that Unnim Banc, S.A. will be merged into Banco Bilbao Vizcaya Argentaria (BBVA), as described in paragraph 5 below. As a result, with the consideration that the completion of the acquisition of Unnim by BBVA (of recognised solvency) is subject to certain conditions precedent, at the date this report is issued we do not have sufficient information to reach a conclusion as to whether or not sufficient positive tax bases will be obtained in the future to recover the deferred tax assets mentioned above.

3. In our opinion, except for the effects of any adjustment that may have been considered necessary if the information indicated in paragraph 2 above had been known, the accompanying annual accounts for 2011 present fairly, in all material respects, the financial position of Unnim Banc, S.A. at 31 December 2011 and the results of its operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and in particular the accounting principles and standards contained therein.

4. Without affecting our audit opinion, we draw your attention to the matters indicated in Note 1.2 of the accompanying notes to the annual accounts, which indicate that the Entity was incorporated in 2011 as a result of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa transferring the assets and liabilities relating to its financial activity.

5. Without affecting our audit opinion, we draw your attention to the matters indicated in Note 1.2. of the accompanying notes to the annual accounts, which indicates that on 30 September 2011 the Ordered Banking Restructuring Fund (FROB) became the single shareholder of Unnim Banc, S.A. with 100% of share capital in order to be able to comply with the 10% Tier I capital ratio required in accordance with Royal Decree Law 2/2011 (18 February) on the reinforcement of the Spanish financial system.

   As is indicated in Notes 1.7.3 and 1.14.1 of the accompanying notes to the annual accounts, the Entity has incurred losses in 2011 that give rise to additional capital needs at 31 December 2011 totalling €416,190 thousand, in order to comply with the 10% Tier I capital ratio established by Royal Decree Law 2/2011. On 7 March 2012, Banco Bilbao Vizcaya Argentaria, S.A. was awarded Unnim Banc, S.A., after the open auction carried out by the FROB. In accordance with this process, the FROB, the Credit Institution Deposit Guarantee Fund and Banco Bilbao Vizcaya Argentaria, S.A. concluded a share purchase agreement under which Banco Bilbao Vizcaya Argentaria, S.A. will acquire 100% of the shares in Unnim Banc, S.A., once the conditions precedent established in that agreement are met.

   Access to the reserves necessary to guarantee the future solvency of Unnim Banc, S.A. and its capacity to continue as a going concern, such that it may realise its assets and settle its liabilities in the amounts indicated in the accompanying annual accounts, will depend on the final formal purchase by Banco Bilbao Vizcaya Argentaria, S.A.

6. Without affecting our audit opinion, we draw your attention to the matters indicated in Note 1.14.3 of the accompanying notes to the annual accounts regarding the fact that on 4 February 2012 Royal Decree - Law 2/2012 (3 February) was published and it establishes new measurement adjustment and additional capital requirements, intended to cover the impairment of assets associated with real estate activities. The Bank of Spain published Circular 2/2012 (29 February) to amend Circular 4/2004 (22 December), and adapts Circular 4/2004 to the provisions of Royal Decree-Law 2/2012.

This legislation articulates a new coverage system for all financing and foreclosed assets, or assets received as payment of debt, relating to the real estate sector. An additional maximum quality capital requirement (Tier I) was established to cover doubtful or sub-prime assets, or foreclosures, relating to the financing of land for real estate developments. These new additional provision and capital requirements will have to be executed during 2012, although entities involved with merger processes will have an additional twelve months, on an exceptional basis.

As is indicated in Note 1.14.3 of the accompany notes to the annual accounts, although the Entity's Provisional Administrator has made its best estimate to determine the impairment that has arisen in 2011 for the purposes of preparing the accompanying annual accounts for 2011, based on the calculations made by that shareholders, the new requirements covering measurement adjustments and additional capital, based on the aforementioned legislation, total €892 thousand and €484 thousand, respectively.

7. The accompanying Directors' Report for 2011 contains the information that the Directors consider relevant to the Entity's situation, the development of its businesses and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the Directors' Report is in agreement with that of the annual accounts for 2011. Our work as auditors is limited to checking the Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records kept by the Entity.

PricewaterhouseCoopers Auditores, S.L.

Ramón Aznar Pascua
Audit Partner

27 April 2012

Translation of financial statements originally issued in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

Unnim Banc, S.A

Annual Accounts and Directors' Report for the year ended 31 December 2011 together with an Independent Auditors' Report

Translation of financial statements originally issued in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

Unnim Banc
Public balance sheet at 31 December 2011
(Thousand euro)

(Thousand euro)	2011
Cash and deposits at central banks (note 5)	**241,771**
Trading portfolio (Note 6)	**5,181**
Derivatives held for trading	5,181
Other financial assets at fair value with changes in profit or loss (Note 7)	**322**
Debt securities	322
Available- for- sale financial assets (Note 8)	**3,610,672**
Debt securities	3,265,470
Equity instruments	345,202
Memorandum account: By way of loan or guarantee	1,925,634
Loans (Note 9)	**19,596,777**
Bank deposits	152,364
Customer loans	18,361,485
Debt securities	1,082,928
Memorandum account: By way of loan or guarantee	2,431,529
Held-to-maturity investment portfolio (Note 10)	**2,033,776**
Memorandum account: By way of loan or guarantee	934,188
Adjustments to financial assets due to macro-hedging	-
Hedging derivatives (Note 11)	**516,419**
Non-current assets for sale (Note 12)	**545,082**
Shareholdings (Note 13)	**911,999**
Associated companies	18,083
Jointly-controlled companies	144,829
Group companies	749,087
Insurance contracts linked to pensions (Note 18)	**13,636**
Property, plant and equipment (Note 14)	**810,712**
Property, plant and equipment	493,171
For own use	493,171
Assigned under operating lease	-
Investment properties	317,541
Memorandum account: Acquired under finance lease	-
Intangible assets (Note 15)	**6,860**
Other intangible assets	6,860
Tax assets (Note 22)	**977,296**
Current	9,935
Deferred	967,361
Other assets (Note 16)	**242,897**
Total assets	**29,513,400**

Notes 1 to 45 and the appendices described in the accompanying annual accounts form an integral part of the balance sheet at 31 December 2011.

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Unnim Banc
Public balance sheet at 31 December 2011
(Thousand euro)

(Thousand euro)	2011
Trading portfolio (Note 6)	**3,704**
Derivatives held for trading	3,704
Other financial liabilities at fair value through in profit or loss (Note 7)	-
Financial liabilities at amortised cost (Note 17)	**27,801,145**
Central bank deposits	1,991,113
Bank deposits	1,074,258
Customer deposits	21,952,466
Marketable debt securities	1,632,338
Subordinated liabilities	923,893
Other financial liabilities	227,077
Adjustments to financial liabilities due to macro-hedging	-
Hedging derivatives (Note 11)	**56,000**
Liabilities associated with non-current assets for sale	-
Provisions (Note 18)	**48,074**
Provisions for pensions and similar liabilities	23,383
Provisions for taxes and other legal contingencies	4,586
Provisions for contingent risks and commitments	2,233
Other provisions	17,872
Tax liabilities (Note 22)	**318,011**
Current	7,543
Deferred	310,468
Other liabilities (Note 19)	**37,076**
Total liabilities	**28,264,010**
Capital (Note 20)	**1,256,136**
Capital/Endowment fund	971,314
Share premium	720,195
Reserves	-
Profit for the year	(435,373)
Measurement adjustments (Note 21)	**(6,746)**
Available-for-sale financial assets	(6,683)
Cash flow hedging	(63)
Total equity	**1,249,390**
Total equity and liabilities	**29,513,400**
MEMORANDUM ACCOUNTS	
Contingent risks (Note 29.1)	832,323
Contingent commitments (Note 29.2)	2,812,688

Notes 1 to 45 and the appendices described in the accompanying annual accounts form an integral part of the balance sheet at 31 December 2011.

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Unnim Banc
Income statement for 2011
(Thousand euro)

(Thousand euro)	2011
Interest and similar income (note 30)	848,058
Interest and similar charges (note 31)	638,137
INTEREST MARGIN	209,921
Return on equity instruments (Note 32)	25,117
Fee income (note 33)	101,278
Commissions paid (note 34)	9,878
Gains or losses on financial transactions (net) (Note 35)	56,636
Trading portfolio	3,582
Other financial assets at fair value through changes in profit and loss.	(438)
Financial instruments not measured at fair value through changes in profit and loss.	48,558
Other	4,934
Exchange differences (net) (Note 36)	715
Other operating results (Note 37)	12,702
Other operating charges (Note 38)	27,067
GROSS MARGIN	369,424
Administration expenses	255,390
Personnel costs (Note 39)	191,674
Other general administrative expenses (Note 40)	63,716
Amortisation and depreciation (Notes 14 and 15)	27,006
Allocations to provisions (net) (Note 18)	93,290
Financial asset impairment losses (net)	284,432
Loans (Note 9)	286,216
Financial instruments not measured at fair value through changes in profit and loss (Note 8)	(1,784)
RESULTS FROM OPERATING ACTIVITIES	(290,694)
Asset impairment losses (net)	320,639
Other assets (Notes 13, 14 and 16)	320,639
Gain/(loss) on the disposal of assets not classified as non-current available-for-sale (Note 41)	32,509
Losses on business combinations	-
Gain/(loss) on non-current available-for-sale assets not classified as discontinued operations (Notes 12 and 42)	(19,238)
PROFIT/(LOSS) BEFORE INCOME TAX	(598,062)
Corporate income tax (note 22)	(162,689)
RESULTS FROM CONTINUED OPERATIONS	(435,373)
Results from discontinued activities	-
PROFIT/(LOSS) FOR YEAR	(435,373)

Notes 1 to 45 and the appendices described in the accompanying annual accounts form an integral part of the income statement for 2011.

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Unnim Banc
Statement of recognised income and expense for 2011
(Thousand euro)

(Thousand euro)	2011
PROFIT/(LOSS) FOR YEAR	**(435,373)**
OTHER RECOGNISED INCOME AND EXPENSE	(4,881)
Available-for-sale financial assets	**(6,413)**
Measurement gains / losses	12,956
Amounts transferred to the income statement	(19,369)
Other reclassifications	-
Cash flow hedges	**(560)**
Measurement gains / losses	(560)
Amounts transferred to the income statement	-
Amounts transferred to initial value of hedged items	-
Other reclassifications	-
Net investment hedging on foreign operations	**-**
Measurement gains / losses	-
Amounts transferred to the income statement	-
Other reclassifications	-
Differences on exchange	**-**
Measurement gains / losses	-
Amounts transferred to the income statement	-
Other reclassifications	-
Non-current assets for sale	**-**
Measurement gains / losses	-
Amounts transferred to the income statement	-
Other reclassifications	-
Actuarial gains/(losses) on pension plans	**-**
Other recognized income and expenses	**-**
Corporate income tax	**2,092**
TOTAL RECOGNISED INCOME AND EXPENSE	**(440,254)**

Notes 1 to 45 and the appendices described in the accompanying annual accounts form an integral part of statement of recognised income and expense for 2011.

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Unnim Banc
Statement of total changes in equity for 2011
(Thousand euro)

(Thousand euro)	Capital (Note 20)				Measurement adjustments (Note 21)	Total equity
	Share capital	Share premium	Profit for the year	Total equity		
Beginning balance at 1 January 2011 (*)	**18,050**	**720,195**	**-**	**738,245**	**(1,865)**	**736,380**
Adjusted opening balance	**18,050**	**720,195**	**-**	**738,245**	**(1,865)**	**736,380**
Total recognised income and expense	**-**	**-**	(435,373)	**(435,373)**	(4,881)	**(440,254)**
Other changes in equity	**953,264**	**-**	**-**	**953,264**	**-**	**953,264**
Share capital increases (*)	953,264	-	-	953,264	-	953,264
Ending balance at 31 December 2011	**971,314**	**720,195**	**(435,373)**	**1,256,136**	**(6,746)**	**1,249,390**

(*) See Note 1.2 "Bank incorporation and restructuring" which analyses the Segregation of the Financial Business and the Bank's capitalisation.
Notes 1 to 45 and the appendices described in the accompanying annual accounts form an integral part of the cash flow statement for 2011.

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Unnim Banc
Statements of cash flows for 2011 (thousand euro)
(Thousand euro)

(Thousand euro)	2011
CASH FLOWS FROM OPERATING ACTIVITIES	(400,954)
Profit for the year	**(435,373)**
Adjustments made to obtain cash flows from operating activities	**348,092**
Amortisation	27,006
Other adjustments	321,086
Net increase/(decrease) in operating assets	**871,397**
Trading portfolio	(15,793)
Other financial assets at fair value with through changes in profit and loss	(475)
Available-for-sale financial assets	2,300,480
Loans	(1,729,105)
Other operating assets	316,290
Net increase / (decrease) in operating liabilities	**720,413**
Trading portfolio	(13,782)
Other financial liabilities at fair value with changes in the income statement	-
Financial liabilities at amortized cost:	606,840
Other operating liabilities	127,355
Corporate income tax income/(expense)	**(162,689)**
CASH FLOWS FROM INVESTING ACTIVITIES	64,291
Payments made	**200,667**
Property, plant and equipment	-
Intangible assets	2,973
Shareholdings	197,694
Other business units	-
Non-current assets and associated liabilities available-for-sale	-
Held-to-maturity investments	-
Other payments related to investment activities	-
Payments received	**264,958**
Property, plant and equipment	177,356
Intangible assets	-
Shareholdings	-
Other business units	-
Non-current assets and associated liabilities available-for-sale	-
Held-to-maturity investments	87,602
Other collections related to investment activities	-

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(Thousand euro)	2011
CASH FLOWS FROM FINANCING ACTIVITIES	**274,273**
Payments made	**190,283**
Dividends	-
Subordinated liabilities	-
Amortization of treasury shares	-
Purchase of treasury shares	-
Other payments related to financing activities	190,283
Payments received	**464,556**
Subordinated liabilities	464,556
Issue of treasury shares	-
Disposal of treasury shares	-
Other collections related to financing activities	-
EFFECT OF EXCHANGE RATE FLUCTUATIONS	**715**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(61,675)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**315,223**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**253,548**
MEMORANDUM ACCOUNTS	
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	
Cash	*92,400*
Cash equivalent balances at central banks	*149,371*
Other financial assets	*11,777*
Less: Bank overdrafts repayable on demand	-

Notes 1 to 45 and the appendices described in the accompanying annual accounts form an integral part of the statement of total changes in equity for 2011.

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CONTENTS

Notes to the Annual Accounts: Page

1. Introduction, basis of presentation of the financial statements and other information 11
2. Accounting principles and policies and measurement bases 27
3. Proposal for distributing results and earnings per share 56
4. Business segment reporting 57
5. Cash and deposits at central banks 57
6. Financial assets and liabilities held for trading 58
7. Other financial assets and liabilities at fair value through profit or loss..........................59
8. Available-for-sale financial assets..59
9. Loans..61
10. Held-to-maturity investments...68
11. Hedging derivatives (receivable and payable) 69
12. Non-current assets for sale 71
13. Shareholdings...74
14. Property, plant and equipment..80
15. Intangible assets 82
16. Other assets...83
17. Financial liabilities at amortized cost 85
18. Provisions for contingent liabilities and commitments and other provisions 93
19. Other liabilities 95
20. Equity...95
21. Measurement adjustments...96
22. Tax matters..96
23. Fair value 105
24. Exposure to credit risk...107
25. Exposure to interest rate risk...114
26. Exposure to liquidity risk 115
27. Exposure to market risk 119
28. Operating risk exposure...121
29. Other significant disclosures...122
30. Interest and similar income..126

Translation of financial statements originally issued in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

31. Interest and similar expenses 127
32. Return on equity instruments 128
33. Commissions received 128
34. Commissions paid 128
35. Gains (Losses) on financial transactions 128
36. Exchange differences 129
37. Other operating revenues 129
38. Other operating charges 130
39. Personnel expenses 130
40. Other general administrative expenses 131
41. Gains/losses on the derecognition of assets not classified as non-current assets held for sale 132
42. Gains/losses on non-current assets held for sale not classified as discontinued operations 132
43. Related parties 133
44. Customer service 136
45. Other required information 138

Appendices 148

Directors' Report for 2011 157

APPENDIX II 159

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<u>Unnim Banc</u>
<u>Notes to the annual accounts for the year ended</u>
<u>31 December 2011</u>

In compliance with current regulations on financial statements, these notes complete, expand and discuss the balance sheet, income statement, recognized income and expenses statement, statement of changes in total equity and cash flow statement. Together they provide a true and fair view of the equity and financial position of Unnim Banc, S.A.U. at 31 December 2011, income from its operations, changes in its equity and the cash flows that have taken place in the period between 1 January and 31 December 2011.

1. Introduction, basis of presentation of the financial statements and other information

1.1. Introduction

Unnim Banc, using the commercial name of "Unnim" (hereinafter the Entity or the Bank), is a private law entity with the following corporate purpose:

(1) The performance of all types of general banking activities, operations and services as authorised by law, including the rendering of investment and ancillary services and insurance agency services, either on an exclusive or associated basis, but not both.

(2) The acquisition, holding, enjoyment and disposal of all types of securities, including, without limitation, public offerings and the sale of equities in other companies, credit institutions, investment service companies and insurance companies or brokers, to the extent permitted by law.

The activities making up its corporate purpose may be fully or partially carried out indirectly in any manner allowed by law and, in particular, through the ownership of shares in companies or other entities that have the same, similar or supplementary corporate purpose.

All matters not covered by its bylaws will be governed by (i) Law 26/1998 (29 July), on credit institution discipline and intervention (ii) Legislative Royal Decree 1298/1986 (28 June) on the adaptation of current law regarding credit institutions in the European Union (iii) Royal Decree 1245/1995 (14 July) on the creation of banks, trans-frontier activity and other matters relating to the legal system covering credit institutions (iv) Law 24/1988 (28 July) on the stock market (v) the Spanish Companies Act 2010 and (vi) all other current legislation or replacements.

The Bank's domicile is located in Barcelona at Plaza Catalunya, 9, 6th and 7th floors.

In addition to the operations carried on directly the Bank is the head of a group of subsidiaries that engage in various business activities and which make up Unnim Bank ("the Bank"). Consequently, in addition to its individual statement the Bank is also obliged to prepare the consolidated financial statements of the Group, which also include its interests in joint ventures and investments in associates.

The Bank has submitted its financial statements to external audit in accordance with the provisions of Decree 560/1983 of the Government of Catalonia and the Accounts Auditing Act 19/1988 of 12 July.

1.2. Incorporation and restructuring of the Bank

On 28 January 2011, the Board of Directors of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa (hereinafter Unnim) adopted a resolution to initiate a reorganisation process to reinforce its capital by creating a bank to indirectly carry out its financial activity, preserving in any event the Community Projects Fund, characterised by its regional and social commitment. This process is framed by the new international regulatory environment as interpreted by the Spanish supervisor Basel III for 2013 - and national legislation - Royal Decree Law 2/2011 (18 February), to reinforce the financial system (RDL 2/2011) - which requires higher solvency and liquidity levels for financial institutions and the strengthening of the supervision of activities.

In accordance with the provisions of Transitional Provision One of Royal Decree - Law 2/2011, on 21 March 2011 the Board of Directors of Unnim created a Compliance Plan that describes the strategy and compliance schedule for the new capitalization requirements for the Entity. This Compliance Plan was officially reported to the Bank of Spain on 28 March 2011 and it was approved on 14 April 2011.

On 28 April 2011, and in accordance with the provisions of (i) Royal Decree - Law 11/2010 (9 July), on Governing Bodies and other aspects of the legal system for Savings Banks, (ii) Royal Decree - Law 9/2009 (26 June), on bank restructuring and the reinforcement of credit institution capital (RDL 9/2009) and (iii) Royal Decree 1245/1995, (14 July), on the creation of banks, trans-frontier activities and other matters relating to the legal system for credit institutions, as well as all other special legislation that is applicable, the Board of Directors of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa approved, among other things:

- The resolution to create a new bank called "Unnim Banc, S.A." to which the Entity's financial activity would be transferred and also approving the documents that will govern the Banks activity, (i) Bylaws, (ii) Board of Directors Regulations, (iii) Money Laundering and Terrorism Financing Prevention Manual, (iv) Ombudsman Regulations and (v) Activity Programme.

- Prepare and approve a Recapitalisation Plan detailing the alternatives analysed by the Entity to strengthen its solvency, as well as the outline of the request for financial support from the FROB. This Recapitalisation Plan was submitted to the Bank of Spain on 28 April 2011 for approval.

On 20 June 2011, the Board of Directors of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa adopted a resolution to prepare and approve the Segregation Project for transferring its financial business to the Bank and it was filed with the Barcelona Mercantile Registry on 21 June 2011.

In accordance with the terms of Article 5 of Royal Decree Law 11/2010, which remits to Article 11 of Royal Decree Law 9/2009, as worded by Royal Decree Law 2/2011, the Segregation was configured as a single transaction with two consecutive phases over time:

- The first phase, consisting of the creation of the Bank by Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, including the consequent contribution of initial capital totalling €18,050,000, and

- The second phase, consisting of the formal transfer of the financial activity to the Bank (recognising the assets and liabilities received as a credit to the share premium account).

On 13 July 2011 the Directorate General for the Treasury and Financial Policy at the Ministry of Finance authorised the project to create a new bank.

As a result of the above, on 14 July 2011, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa executed the official documents to create the new bank called Unnim Banc, S.A., which is governed by the provisions of its bylaws that have been approved by Directorate General for the Treasury and Financial Policy at the Ministry of Finance and all other applicable legal legislation. Initial share capital was set at €18,050,000, represented by 18,050,000 registered shares with a par value of one euro each and all have been subscribed by Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell y Terrassa.

On 20 June 2011 and 14 July 2011, The Boards of Directors of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa and Unnim Banc, respectively, adopted the following resolutions, among others, for the purposes of continuing with the segregation of the business:

- Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, adopts the closing balance sheet at 31 December 2010 as the Segregation balance sheet and the Bank prepared its Segregation balance sheet at 14 July 2011.
- Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, prepare and approve a Segregation Project (which was filed with the Mercantile Registry on 21 June 2011), and the Bank, join the project (which was filed with the Mercantile Registry on 28 July 2011)
- Prepare and approve the respective Directors' reports regarding the Segregation Project.

On 28 July 2011 the General Assembly of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa adopted a resolution to ratify the action taken by the Savings Bank's Board of Directors with respect to the creation of the Bank. In addition, the General Assembly adopted the appropriate resolutions, among others, to approve the indirect exercising of its credit institution activity through the Bank, with the consequent amendments to the bylaws and the regulations.

Similarly, on 28 July 2011 the General Assembly of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa and the Bank's single shareholder adopted the resolutions and decisions, among others, that were appropriate for approving the Segregation:

- Approval of the respective Segregation balance sheets, duly audited by the auditors.
- Approval of the Segregation Project and approval of the segregation, in the terms established in the Project.
- Approval of the application to the Segregation of the special tax system for mergers, spin-offs, contributions of assets and share swaps.

With respect to the authorisation of the Segregation and the indirect exercising of the Savings Bank's credit institution activity through the Bank and the amendment of the Savings Bank's bylaws and regulations, the following is noted:

- The Catalonian Government authorised the Segregation and the indirect exercising of the Savings Bank's credit institution activities through the Bank by issuing a Government Resolution on 20 September.
- The Finance and Knowledge Officer at the Catalonian Government authorised the amendments to the Savings Bank's bylaws and regulations by issuing a Resolution on 20 September 2011.
- The Minister of Finance authorised the Segregation and the indirect exercising of the Savings Bank's credit institution activities through the Bank by issuing a Resolution on 26 September 2011.

- The necessary authorisations were received from the National Stock Market Commission (for the transfer of the shareholding in collective investment institutions, stock brokerages and other capital companies subject to the Commission's supervision), the Bank of Spain (for the transfer of the shareholding in financial credit establishments and other entities that require such authorisation), the Directorate General for Insurance and Pension Funds and the Ministry of Finance (transfer of the shareholding in insurance companies or other companies associated with the insurance business).

On 26 September 2011 a public document was executed (filed with the Mercantile Registry on 30 September 2011) for the Segregation of the financial business and, specifically, the following was executed:

- The indirect exercising by Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa of its credit institution activity through the Bank was approved.
- The Segregation, in accordance with the terms and conditions established in the Segregation Project dated 20 June 2011 was executed in a public document and it was stipulated that the second phase of the Project would be supplemented with the execution of a public document and a filing with the Mercantile Registry.
- The effective date of the Segregation for accounting purposes established as the date on which all transactions involving the equity segregated from the Savings Bank would be considered to be carried out by the Bank for accounting purposes was 1 January 2011.
- The new bylaws and regulations for Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, as well as the bylaws for the Bank, were executed in a public document.
- Details were provided of the segregated assets and liabilities that were transferred to the Bank, with respect to the items that affected the financial business, with the following exceptions:
    a. Assets and liabilities associated with the Community Projects Fund and other assets that could be related to the needs of that fund.
    b. Certain assets forming part of the historic and cultural heritage of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa.
    c. Assets and liabilities that cannot be transferred due to legal or contractual restrictions.
    d. All of the shares in the Bank.

The Bank's Segregation Balance Sheet at 1 January 2011 is presented below, aggregating the balance sheet for Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa at 31 December 2010, plus the deduction of the items not contributed to the Bank:

Translation of financial statements originally issued in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

Assets	31 December 2010 Unnim Caixa	Not provided	Adjustments/reclassifications	1 January 2011 Unnim Banc
Cash and deposits at central banks	**299,366**	**(44,649)**	**44,649**	**299,366**
Trading portfolio	**20,974**	-	-	**20,974**
Equity instruments	-	-	-	-
Derivatives held for trading	20,974	-	-	20,974
Other financial instruments at fair value through changes in profit and loss	**797**	-	-	**797**
Debt securities	797	-	-	797
Available-for-sale financial assets	**1,310,192**	-	-	**1,310,192**
Debt securities	878,453	-	-	878,453
Equity instruments	431,739	-	-	431,739
Loans	**21,325,882**	-	-	**21,325,882**
Bank deposits	137,145	-	-	137,145
Customer loans	19,804,849	-	-	19,804,849
Debt securities	1,383,888	-	-	1.1.383.888
Held-to-maturity investment portfolio	**2,121,378**	-	-	**2,121,378**
Adjustments to financial assets due to macro-hedging	-	-	-	-
Hedging derivatives	**326,136**	-	-	**326,136**
Non-current assets for sale	**377,233**	-	-	**377,233**
Shareholdings	**714,305**	-	-	**714,305**
Associated companies	82,139	-	-	82,139
Jointly-controlled companies	89,523	-	-	89,523
Group companies	542,643	-	-	542,643
Pension linked insurance contracts	**14,526**	-	-	**14,526**

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Property, plant and equipment	**988,068**	**(98,368)**		**889,700**
Property, plant and equipment	675,101	(96,476)	-	578,625
For own use	601,020	(22,395)	-	578,625
Assigned to Community Projects	74,081	(74,081)	-	-
Investment properties	312,967	(1,892)	-	311,075
Intangible assets	**3,887**	-	-	**3,887**
Other intangible assets	3,887	-	-	3,887
Intangible assets	**640,909**	-	-	**640,909**
Current	6,991	-	-	6,991
Deferred	633,918	-	-	633,918
Other assets	**94,456**	-	-	**94,456**
Total assets	**28,238,109**	**(143,017)**	**44,649**	**28,139,741**
MEMORANDUM ACCOUNTS				
Contingent liabilities	**938,201**	-	-	**938,201**
Contingent commitments	**3,181,999**	-	-	**3,181,999**

Translation of financial statements originally issued in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

Liabilities and equity	31 December 2010 Unnim Caixa	Not provided	Adjustments/reclassifications	1 January 2011 Unnim Banc
Trading portfolio	**17,486**	-	-	**17,486**
Derivatives held for trading	17,486	-	-	17,486
Other financial liabilities at fair value through changes in profit and loss	**-**	-	-	**-**
Financial liabilities at amortised cost	**26,671,911**	-	**44,649**	**26,716,560**
Central bank deposits	850,904	-	-	850,904
Bank deposits	1,462,606	-	44,649	1,507,255
Customer deposits	20,968,075	-	-	20,968,075
Marketable debt securities	1,785,597	-	-	1,785,597
Subordinated liabilities	1,388,449	-	-	1.388..449
Other financial liabilities	216,280	-	-	216,280
Adjustments to financial liabilities due to macro-hedging	**-**	-	-	**-**
Hedging derivatives	**62,710**	-	-	**62,710**
Liabilities associated with non-current assets for sale	**-**	-	-	**-**
Provisions	**253,751**	-	-	**253,751**
Provisions for pensions and similar liabilities	21,708	-	-	21,708
Provisions for contingent liabilities and charges	4,754	-	-	4,754
Other provisions	227,289	-	-	227,289
Tax liabilities	**196,974**	**(19,205)**	-	**177,769**
Current	4,807	-	-	4,807
Deferred	192,167	(19,205)	-	172,962
Community Projects Fund	**89,074**	**(89,074)**	-	**-**
Other liabilities	**175,085**	-	-	**175,085**
Total liabilities	**27,466,991**	**(108,279)**	**44,649**	**27,358,712**
Equity	**772,983**	(772,983)	738,245	**738,245**
Capital/Endowment fund	734,575	(734,575)	18,050	18,050
Share premium	-	-	720,195	720,195
Reserves	-	-	-	-
Profit for the year	38,408	(38,408)	-	-
Measurement adjustments	**(1,865)**	-	-	**(1,865)**
Available-for-sale financial assets	(2,194)	-	-	(2,194)
Cash flow hedging	329	-	-	329
Differences on exchange	-	-	-	-
Total equity	**771,118**	**(772,983)**	**738,245**	**736,380**
Total Equity and Liabilities	**28,238,109**	**(881,262)**	**782,894**	**28,139,741**

The main adjustments and reclassifications are set out below:

- **Cash and deposits at central banks:** the cash that has not been transferred to the Bank and, as a consequence, has been retained by Unnim Caixa has been reclassified to the heading "Financial liabilities at amortized cost - Deposits at credit institutions".

- **Equity - Share capital/Endowment fund**: The adjustments made to the heading "Share capital/Endowment fund" in the balance sheet relate to the recognition of the Bank's shares totalling €18,050,000 (in accordance with the official incorporation document for the Bank dated 14 July 2011, mentioned above).

- **Equity - Share premium**: The adjustments made to the heading "Share premium" in the balance sheet relate to the difference between the financial assets and liabilities contributed to Unnim Banc Bank.

On 27 September 2011, the Ordered Bank Restructuring Fund ("Fondo de Reestructuración Ordenada Bancaria (FROB))" informed Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa that on 26 September 2011 the Bank of Spain had informed FROB of the resolution adopted under which it was considered unlikely, in light of the financial situation affecting Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa and Unnim Banc, S.A, that the repurchase of the preferred convertible shares issued on 28 July 2010 by the Savings Bag in the amount of €380,000,000 and subscribed by the FROB at that time could take place in accordance with the terms established in the official share issue documentation. As a result, the Governing Board of the FROB, adopted a resolution to convert those preferred shares, by virtue of the provisions of Article 9.3.c) of Royal Decree-Law 9/2009 (26 June), as worded at the date of the issue of the preferred convertible shares and in the relevant official share issue documentation. furthermore, based on the negative evaluation that the independent experts provided the FROB with respect to the entity, it was reported that 100% of the capital of Unnim Banc, S.A pertained to the FROB, and therefore that Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa would have to transfer the shares it held in Unnim Banc, S,A. to the FROB.

As a result, on 28 September 2011 a public document formalizing the sale of the 18,050,000 shares in the Bank by Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa to the FROB for a total price of one euro.

On 29 September 2011, the Executive Committee of the Bank of Spain adopted a resolution to restructure Unnim Banc, S.A. with the intervention of the FROB, in accordance with the provisions of Article 7 of Royal Decree-Law 9/2009 (26 July). Based on the provisions of Article 7.2 of Royal Decree-Law 9/2009, it decided that the FROB would carry out this activity in the capacity of Sole Administrator.

The following resolutions were formally executed in public documents on 30 September 2011:

- The FROB would become a shareholder and the sole administrator of the Bank and, as a consequence, the following representatives were appointed: Antoni Abad Pous (Tax ID 31.144.344-T), Jesús Gonzalvo Lozano (Tax ID 40.939.463-S), Javier Moreno Cepeda (Tax ID 51.343.482-F) and José Ramón Rodrigo Zarza (Tax ID 14.878.661-F).

- The decision was taken to convert the preferred shares that had been issued into capital with an effective value of €385,263,780, therefore issuing 385,263,780 shares with a par value of one euro each. These new shares were fully subscribed by the FROB.

- A resolution was adopted to increase the Bank's share capital by 568,000,000 shares with a par value of one euro each, thereby bring its new share capital up to €971,313,780. These new shares were fully subscribed by the FROB.

- Finally, a resolution was adopted to modify the Bank's bylaws based on the preceding decisions.

1.3. Basis of presentation of the annual accounts

The Bank's annual accounts for the year ended 31 December 2011 are presented in accordance with the established models and applying the Periodic Public Information Reporting rules established by Bank of Spain Circular 4/2004 (22 December) and all subsequent amendments. This circular constitutes the industry adaptation of the International Financial Reporting Standards (IFRS or IAS) adopted by the European Union.

In 2011 new national legislation brought Circular 5/2011 (30 November), which amends Circular 4/2004, into force. This Circular formally introduces into legislation the obligation to include disclosures in annual and half-yearly reports regarding the mortgage market, construction financing, real estate development and home acquisitions as well as information regarding assets received as payment of debt. This reserved information must be sent regularly to the Bank of Spain (Note 12, 24 and 45.1).

These annual accounts have been prepared on the basis of the Entity's accounting records.

The Bank's accompanying financial statements do not reflect the changes in equity that would result from applying full, proportional or equity method consolidation, as appropriate, to the shareholdings in subsidiaries, jointly-controlled and associated companies in accordance with current legislation governing the consolidation of credit institutions. The consolidated annual accounts for BBVA Bank have been prepared and they include those changes, in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union at 31 December 2011.

The Group's consolidated equity and total consolidated assets at 31 December 2011, together with the results obtained in 2011, are set out below:

(Thousand euro)	**2011**
Equity	1,179,502
Results for the year attributable to the parent entity	(469,074)
Total assets	29,288,005

Note 2 sets out the main accounting principles and policies and the main valuation criteria applied in preparing the Bank's 2011 annual accounts.

No mandatory accounting principle or valuation policy that has a significant effect on these annual accounts has been omitted.

1.4. Responsibility for the information and estimates made

The Bank's annual accounts for 2011 have been prepared by the Bank's Directors at the meeting held on 20 March 2012. These accounts are pending approval by the General Meeting. The Bank's Directors expect that they will be approved without any modifications.

When preparing the financial statements estimates have been used to quantify, among other things, the fair value of certain assets and liabilities, impairment losses, the useful life of tangible and intangible assets and actuarial assumptions for the calculation of post-employment remuneration commitments. The estimates affect the amounts recorded in the balance sheet and the income statement. Despite the fact that these estimates were made based on the best information available, it is possible that future events may require them to be changed in the future, which would be done on a prospective basis, recognising the effects of the change in the estimate in the income statements for the years concerned, in accordance with the rule nineteen of Bank of Spain Circular 4/2004.

1.5. Investments in the share capital of credit institutions

In compliance with the provisions of Article 20 of Royal Decree 1245/1995 of 14 July, investments in the share capital of credit institutions held by the Bank at 31 December 2010 that exceed 5% of share capital or voting rights are shown below:

Entity	% interest
Celeris Servicios Financieros, SA EFC	15.75%

1.6. Environmental impact

Due to the activity carried out by the Entity, it has had no significant impact on the environment. Consequently no specific disclosures about environmental issues are included in these notes to the financial statements.

1.7. Capital management objectives, policies and processes

1.7.1 Nature of the Group's obligations in terms of regulatory capital

Unnim Banc Group's Regulatory capital requirements originate from the application to credit institutions of the Bank of Spain Circular 3/2008 (22 May) on the calculation and control of minimum equity (hereinafter "Circular 3/2008"), and all subsequent amendments (Bank of Spain Circulars 9/2010 and 4/2011).

Circular 3/2008 is the final implementation for credit institutions of legislation concerning capital and consolidated supervision of financial institutions as stated in Act 36/2007 of 16 November, which amends Act 13/1985 of 25 May on investment ratios, capital and disclosure obligations of financial intermediaries and other financial system rules, and which also includes Royal Decree 216/2008 of 15 February on the capital of financial institutions. This also finalizes the process of adapting Spanish legislation governing credit institutions to EU Directives 2006/48/CE, issued by the European Parliament and Council (14 June 2006) relating to accessing and carrying out credit institution activities and 2006/49/CE issued by the European Parliament and Council (14 June 2000) on the adequacy of investment service company and credit institution capital.

In compliance with the equivalent agreement adopted by the Basel Committee on Banking Supervision (known as Basel II), the two aforementioned Directives have thoroughly revised the minimum capital requirements for credit institutions and their consolidable groups.

This regulatory framework is based on three “pillars”:

- **Pillar I - calculation of minimum capital requirements:** this forms the core of the Basel II accord. Minimum regulatory capital requirements of financial groups are established in accordance with their exposure to some of the main risks associated with the finance business: credit risk, trading portfolio market risk and operating risk. Legislation allows several methods of calculating exposure to each type of risk and different degrees of complexity such that each entity may use the method that is most appropriate for its volume, resources and extent of exposure. This detailed information, along with additional information about concentration and interest rate risk, is regularly reported to the regulator through confidential statements.

- **Pillar II - Supervisory review process**: establishes the obligation to carry out a capital self-assessment process, including a set of robust and comprehensive strategies and procedures that will maintain the level of capital considered adequate to cover, by type and level, all risks to which the Group is or may be exposed. This process concludes with the setting of a capital goal and strategy appropriate to the risks and hence institutions are required to carry out stress scenarios to identify events or changes in conditions in the markets in which they operate that could adversely affect their future solvency.

  The above strategies and procedures as well as detailed disclosures regarding internal organization, risk management and internal control, are included in an annual report approved by the Board of Directors and which is sent to the Bank of Spain.

- **Pillar III - Market discipline**: this requires institutions which are subject to the regulations to issue each year a report entitled “Information of Prudential Relevance” (IPR), whose production and distribution are subject to formal policy adopted by the Board of Directors and which must contain minimal disclosures about capital and its requirements, levels of risk assumed and risk management strategies, organization, systems and policies.

Bank of Spain Circular 3/2008 further establishes which elements should be classified as capital for the purposes of compliance with the minimum requirements set out in this regulation. These differ from those admitted by the IFRS-EU and those used in the preparation of these financial statements and are divided into two main groups: Tier 1 and Tier 2 capital:

- **Tier 1 capital**: In the case of the Group, it mainly consists of capital paid in, the share premium, reserves and preferred shares.

- **Tier 2 capital:** In the case of the Group, it mainly consists of subordinated financing.

This capital is reduced by the deductions set out in Rule Nine of Circular 03/2008.

In addition to the above, it should be noted that at its meeting on 12 September 2010, the Group of Governors and Heads of Supervision – the oversight body of the Basel Committee on Banking Supervision – announced a substantial strengthening of the existing capital requirements and strongly endorsed the agreements reached on 26 June 2010 (Basel III). The Basel III Agreement will start to be applied on 1 January 2013. Before that date countries must have transposed the content of the agreement to their respective regulations and legislation. Group management has analysed the main amendments that would be introduced by this agreement and it has started to plan and manage the consequences that will derive from the novelties included by the agreement with respect to capital requirements.

On 18 February 2011 Royal Decree 2/2011 on the reinforcement of the financial system was published. The publication of the aforementioned Royal Decree introduced the concept of "Principal Capital", which is defined as the result of adding together, among other things, the following capital items: the share capital of public limited liability companies, share premiums paid in, effective and express reserves and the profits earned in computable years, positive adjustments net of tax effects, based on the measurement of available-for-sale financial assets that form part of equity, shares representing minority interests consisting of ordinary shares in consolidated group companies and computable instruments subscribed by the FROB. The amount of prior-year and current year losses must be deducted from this figure, together with any impairment affecting available-for-sale financial assets net of tax effects, in accordance with legislation regarding capital requirements for credit institutions, and intangible assets, including goodwill originating from business combinations, consolidation or the application of the equity method.

With respect to the aforementioned principal capital requirements, the Royal Decree stipulates that consolidated credit institutions must have a principal capital ratio of 8% throughout 2011 for weighted risk exposure, unless the wholesale financing coefficient exceeds 20% and at least 20% of its capital or voting rights has not been placed, in which case the above requirements is 10% of weighted risk exposure.

1.7.2 Capital management objectives, policies and processes

In the capital management process the Entity seeks to comply at all times with the current regulations on capital requirements described above at both the individual and consolidated level.

The Entity also seeks maximum efficiency in managing its capital so that the use of capital is seen, together with other return and risk variables, as a fundamental element of analysis when making its investment decisions.

To that end, and based on its capital position and regulatory capital requirements, the Entity regularly monitors its performance and draws up short, medium and long-term forecasts and projections which are included in its strategic planning.

Additionally, it also carries out simulations of different stress scenarios to assess the adequacy of capital to cope with unanticipated changes in key business figures and/or economic variables and decides on and takes any necessary and appropriate actions.

It should also be noted that in order to strengthen the Bank's capital structure and to comply with the requirements of Royal Decree 2/2011, the Entity has received an injection of capital from the FROM and subsequently it was converted to part of its computable capital (Note 1.2).

1.7.3 Quantitative disclosures

Below is the breakdown of the Unnim Banc Bank capital at 31 December 2011, divided into tier 1 capital and tier 2 capital as well as capital requirements by risk type:

(Thousand euro)	Amount	%
Basic equity	1,420,712	9.24%
Second tier equity	449,537	2.92%
Total computable equity	**1,870,249**	**12.16%**
Principal capital	**1,121,307**	**7.29%**
Credit risk requirements	1,169,632	95.09%
Price and exchange risk requirements	658	0.05%
Operating risk requirements	6,389	0.52%
Transitional and other requirements	53,320	4.33%
Total equity requirements	**1,229,999**	**100.00%**
Surplus equity	**640,250**	**4.16%**

At 31 December 2011, Unnim's capital exceeded that required by Circular 3/2008 and subsequent amendments.

However, the Group does not comply with the new principal capital requirements established by Royal Decree Law 2/2011 as indicated above (a deficit of €416,190,000). It should be noted that, as is indicated in Note 1.2, the Bank is in a transitional situation subject to the provisions of Royal Decree 9/2009, as currently worded, regarding the ordered banking restructuring and strengthening of the equity of credit institutions, and therefore it is fully managed by the FROB at the designation of the Bank of Spain, with the aim of assigning the shares to a third party within a competitive auction framework (see the note on Subsequent events 1.14.1), which makes the penalty portion of Royal Decree 2/2001 not applicable.

1.8. Credit rating

On 4 October 2011, the Fitch credit rating agency confirmed that Unnim Banc, S.A. had a long-term rating of BB+ with a stable outlook.

1.9. Deposit Guarantee Fund

In 2011 the Bank made the annual contribution to the Savings Bank Deposit Guarantee Fund. This contribution was set at .01% of the calculation base.

On 3 June 2011, Final Provision One of Royal Decree 771/2011 introduced two new sections to Royal Decree 2606/1996 (20 December) on the deposit guarantee fund, which requires additional quarterly contributions for term deposits contracted or on-demand accounts that bear interest in excess of certain interest rates. This additional contribution means that the ordinary annual contribution increases up to 500%. The Bank of Spain has incorporated these modifications in Circular 3/2011 (30 June).

Due to the reforms of the Spanish financial system over the past few years, on 14 October 2011 Royal Decree-Law 16/2011 (14 October) was published and it unifies the three pre-existing deposit guarantee funds (Savings Banks, Banking Establishments and Credit Cooperatives) into a single fund, the Credit Institution Deposit Guarantee Fund. The purposes of this new fund are to provide guarantees for deposits at credit institutions up to the established limits (€100,000), to take action to reinforce the solvency and operation of entities in difficulty, defend the interests of depositors, the Fund itself and the entire system made up by the member credit institutions.

Furthermore, on 2 December 2011 Royal Decree-Law 19/2011 was published, and it amends Royal Decree-Law 16/2011 (14 October), establishing a maximum annual contribution to the Credit Institution Deposit Guarantee Fund of .03% and an actual contribution of .02% of the calculation base (guarantee deposits plus 5% of the market value of deposits of guaranteed securities). This new percentage will be effective after the first settlement in 2012.

These ordinary annual contributions, as well as the quarterly contributions, are recognized under the heading "Other operating expenses" in the income statement (see Note 38).

1.10.Minimum reserve ratio

Monetary Circular 1/1998 (29 September), which came into effect on 1 January 1999, repealed the ten-year cash ratio and replaced it with the minimum reserve ratio.

At 31 December 2011, as well as throughout 2011, the Bank met the minimum ratio required by Spanish law.

In January 2012 the amendment of the legislation applicable to minimum reserves entered into force such that the reserve coefficient will fall from 2% to 1%.

1.11. Agency agreements

Neither at 31 December 2011 nor at any other time during the period from 1 January to 31 December 2011 has the Bank had any "agency contracts" in force as referred to in Article 22 of Royal Decree 1245/1995, of 14 July.

1.12. Information regarding 2010

Given that the Bank was created this year as a result of the process described in Note 1.2, it is not required to present information referring to 2010, in accordance with the response to a consultation published by the Audit and Accounting Institute in Journal 84 (consultation 14).

1.13. Changes in criteria and accounting estimates

There have been no material changes in the accounting policies and estimated applied during 2011.

1.14. Subsequent events

1.14.1 The Ordered Restructuring of the Bank

At a meeting held on 7 March 2012, and within the scope of the ordered restructuring process for Unnim Banc, the Governing Board of The Ordered Bank Restructuring Fund (FROB) prepared the Bank's restructuring plan which calls for its merger into BBVA.

On 7 March 2012 the Governing Board of the Credit Institution Deposit Guarantee Fund (DGF) committed to the financial support that is necessary for the ordered restructuring of the Bank, in accordance with the provisions of Articles 12 and 13 of Royal Decree-Law 16/2011.

At a meeting held on the same day, the Executive Committee of the Bank of Spain approved the restructuring plan for the Bank as prepared by the FROB.

As a result, and in accordance with the approved restructuring plan:

- The DGF will provide financial support for the sale by the FROB to BBVA of 100% of the Bank for the price of one euro, and the DGF will assume the losses deriving on the transaction totalling €953,000,000.
- In addition, the DGF will provide the Bank with an Asset Protection scheme (APS) under which, for a predetermined asset portfolio, the DGF will assume 80% of the losses deriving from that portfolio over 10 years, once the provisions that have been recorded for these assets have been used.

At the date these annual accounts were prepared, the Bank Restructuring Plan still must receive the last approvals from the competent authorities.

1.14.2 Suspension of the payment of the coupon for subordinated debt

In accordance with the prospectus for the issue of the Subordinated Bonds CM issue 5/89, ISIN Code ES021841019, the First Issue of Subordinated Bonds CS, ISIN code ES0214973010, and the Second Issue of Subordinated Bonds CS, ISIN code ES0214973028, which establishes the suspension of the payment of interest in the event that entity does not obtain profits during the preceding calendar half-year, and taking into account the results obtained in 2011 reported to the Bank of Spain by Unnim Banc, the monthly payment of interest for those issues planned to take place on, respectively, 29 February 2012 (the former) and 1 March 2012 (the two latter) has been suspended. The amounts will accumulate and will be paid on a deferred basis if the conditions established in the aforementioned prospectus for payment are met.

In accordance with the prospectus to the issue of the 1st Issue of Special Subordinated Bonds CT, ISIN code ES0214974075, and taking into account the results obtained in 2011 as reported to the Bank of Spain by Unnim Banc, the quarterly payment of interest for that issue planned to take place on 1 March 2012 was suspended. The amounts will accumulate and will be paid on a deferred basis if the conditions established in the aforementioned prospectus for payment are met.

1.14.3 Impact of Royal Decree 2/2012

The Bank has quantify the impact relating to Royal Decree 2/2012 (3 February), on financial sector reforms. Specifically, the total amount of provisions to be recorded to comply with the new requirements is €892,000. The total additional capital necessary amounts to €484,000.

The acquiring entity (BBVA) is expected to define the manner of registration within the legal deadline, once the effective purchase of the Bank takes place.

2. Accounting principles and policies and measurement bases

In drawing up the annual financial statements for 2011 the Bank applied the following accounting principles and policies and measurement bases:

2.1. Going-concern

In preparing the financial statements it has been assumed that the Bank will remain in business for the foreseeable future. Consequently the application of accounting standards is not intended to determine the value of equity for the purpose of its total or partial transfer or the amount resulting from its liquidation.

2.2. Accruals principle

These financial statements, with the exception of cash flow statement, have been prepared in accordance with the actual flow of goods and services, regardless of their date of payment or collection.

2.3. Financial instruments

2.3.1 Initial recognition of financial instruments

Financial instruments are initially recognized in the balance sheet when the Bank becomes party to the agreement which gives rise to them consistent with the terms of this contract. Loans and deposits, the most common financial assets and liabilities, are recognized from the date on which the legal right to receive or a legal obligation to pay takes effect respectively. Financial derivatives, in general, are recorded on their trade date.

Regular way purchase or sale of financial assets, defined as those agreements where the reciprocal obligations of the parties must be discharged within a time frame established by regulation or market conventions and cannot be settled net, such as securities agreements or forward foreign exchange transactions, are recognized from the date on which the rewards, risks, rights and duties of the property owner are held by the purchaser. Depending on the type of financial asset purchased or sold, this date may be the trade or the settlement or delivery date. In particular, transactions in the spot currency market are recorded on the settlement date, transactions with equity instruments traded in Spanish secondary securities markets are recorded on the trade date, and transactions with debt instruments traded in these markets are recorded on the settlement date.

2.3.2 Disposal of financial instruments

A financial asset is derecognized in the balance sheet when the contractual rights to the cash flows it generates expire or when it is transferred. The transfer of the asset must entail the substantial transfer of risks and rewards or the transfer of its control (see note 2.8).

A financial liability is derecognized in the balance sheet when the obligations it generates have been terminated or when it is repurchased by the Bank, either to place it again or to cancel it.

2.3.3 Fair value and amortised cost of financial instruments

In the initial recording in the balance sheet, all financial instruments are recorded at fair value which, save in the case of evidence to the contrary, is the price of the transaction. Later on a specific date the fair value of a financial instrument is the price at which it could be bought or sold by two knowledgeable parties in an arm's length transaction. The most objective and common reference value for a financial instrument's fair value is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price").

When there is no market price for a financial instrument that makes it possible to estimate its fair value, recent transactions involving similar instruments or, failing that, measurement models that have been verified by the international financial community are used. The specific features of the instrument to be measured, and in particular the various types of risks associated with it, are taken into account.

Measurement techniques used to estimate the fair value of financial instruments meet the following requirements:

- Consistent and appropriate financial and economic methods, which have been shown to provide the most realistic estimate of the price of the financial instrument, are used.
- They are the ones routinely used by market participants to measure this type of financial instrument, including recent transactions involving other instruments that are substantially the same, discounted cash flows and market models for pricing options.
- They make maximum use of available information in terms of observable data and similar recent transactions and as far as possible restrict the use of unobservable data and estimates.
- They are widely and adequately documented, including the reasons why they were chosen in preference to other alternatives.
- The measurement methods are applied consistently over time so long as the reasons for choosing them do not change.
- The validity of the measurement models is regularly assessed using recent transactions and current market data.
- The following factors are taken into account: the temporary value of money, credit risk, exchange rate risk, the price of commodities, the price of capital instruments, volatility, market liquidity, and early cancellation risk and administration costs.

The fair value of derivatives is determined as follows:

- **Derivatives traded on organized markets:** All derivative instruments traded on organized markets are measured daily at their market price and there measurement is the result of multiplying the number of open contracts, the price and the multiplier.
- **OTC Derivatives (not traded on organized markets):** these derivatives are measured using calculation methods that are generally accepted such as, for example, the updating of future cash flows, the Black & Scholes model, the Fischer Black model and the Montecarlo simulation process.

Financial instruments are classified into three levels, depending on how their fair value is determined:

- **Tier 1:** Prices listed on active markets for the same instrument.
- **Tier 2:** prices quoted in active markets for similar instruments or other measurement techniques in which all significant inputs are based on directly or indirectly observable market data.
- **Tier 3:** measurement techniques for which a significant input is not based on observable market data.

However, for certain financial assets and liabilities, the recognition criteria in the balance sheet is amortised cost. This criterion applies to financial assets included under "Loans and receivables" and "Held-to-maturity investments" and to financial liabilities recorded as "Financial liabilities at amortized cost". However, this criterion also applies to equity instruments whose fair value cannot be determined in a sufficiently objective way and to financial derivatives whose underlying asset is these equity instruments and are physically settled.

Amortized cost means the acquisition cost of a financial asset or liability plus or minus any principal and interest repayments and cumulative amortization taken to the income statement, calculated using the effective interest rate method, of the difference between the initial cost and the redemption value of these financial instruments. In the case of financial assets, amortized cost also includes value corrections resulting from impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument. In the case of fixed interest rate financial instruments, the effective interest rate is the same as the contractual interest rate agreed at the time of acquisition, adjusted where necessary by transaction fees and costs which, in accordance with the provisions of Bank of Spain Circular 4/2004, must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined in a similar way to that used for fixed interest rate transactions and is recalculated on each contractual interest rate reset date for the transaction, taking into account the changes that have taken place in the transaction's future cash flows.

As noted above, some assets and liabilities are recorded in the accompanying balance sheet by their fair value, for instance those included in trading books or available for sale. Others, such as those in "Loans and receivables" and "Financial liabilities at amortized cost", are recorded at their amortized cost as defined in this note.

A portion of the assets and liabilities in these items are included in one of the fair value micro-hedges managed by the Bank and therefore are in fact in the balance sheet at their fair value for the risk hedged.

The bulk of other assets and some liabilities are floating rate with an annual reset of the applicable rate. Hence the fair value of these assets resulting only from changes in the market interest rate is not significantly different from that recorded in the balance sheet.

The amounts of assets and liabilities not included in any of the above paragraphs, i.e. those registered at amortized cost which have a fixed rate and residual maturity greater than one year and are not hedged, are not significant in terms of the total for each item. The Bank believes that their fair value, resulting solely from changes in the market interest rate, will not be significantly different from that recorded in the balance sheet.

As for the fair value of assets classified under "Property, plant and equipment" in the balance sheet, note 23.2 provides information about their fair value and the method used to calculate it.

2.3.4 Classification and measurement of financial assets and liabilities

Financial instruments other than those included in the categories of "Cash and deposits in central banks", "Hedging derivatives" and "Investments" are classified in the Bank's balance sheet in accordance with the following categories:

- **Financial assets and liabilities at fair value through changes in profit or loss:** this category is made up of financial instruments classified in the trading portfolio, in addition to other assets and liabilities classified at fair value through changes in profit or loss:
  - **Financial assets held for trading** means those acquired with the intention of selling them in the short-term or which are part of a portfolio of financial instruments identified and managed together and for which there is evidence of recent short-term profit-taking, and derivative instruments that do not meet the definition of financial collateral and have not been designated as hedging instruments.
  - **Financial liabilities held for trading** means those issued with the intention to repurchase them in the near future or which form part of a portfolio of financial instruments identified and managed together and for which there is evidence of recent short-term profit-taking; the short positions resulting from sales of assets acquired under non-optional resale agreements or borrowed securities, and derivative instruments that do not meet the definition of financial collateral and have not been designated as hedging instruments.
  - **Other financial assets or liabilities at fair value through profit or loss means** financial instruments designated by the Bank in their initial recognition such as hybrid financial assets and liabilities measured entirely at their fair value or instruments managed together or those whose classification as such eliminates or significantly reduces inconsistencies in their recognition or measurement (accounting mismatches).

  Financial instruments classified at fair value through profit or loss are initially measured at their fair value. Any subsequent changes in this fair value are recognized under "Gains/losses on financial assets and liabilities" in the income statement, except for changes in this fair value due to income earned on financial instruments other than derivatives held for trading, which are recorded under "Interest and similar income", "Interest expense and similar charges" or "Return on equity instruments – Other equity instruments" in the income statement, depending on their type.

- **Investment portfolio held to maturity:** this category includes debt securities with a set maturity date and cash flows of a certain amount or an amount that may be calculated that the Bank maintains, from the start and at any subsequent date, with the intention and the financial capacity to hold them until maturity.

  The debt securities in this category are initially measured at fair value, adjusted by the amount of transaction costs that are directly attributable to the acquisition of the financial asset, which are recognized in the income statement using the effective interest rate method in accordance with that set out above in this note. Subsequently they are measured at amortized cost.

The interest accrued on these securities, calculated using the effective interest rate method, is recognized under "Interest and similar income" in the income statement. Exchange differences on securities denominated in currencies other than the euro are recorded in accordance with that set out in note 2.5. Any impairment losses on these securities are recognized in accordance with the items set out in note 2.11.

- **Loans and receivables**: this category includes financing given to third parties as part of the Bank's ordinary lending activities, receivables from purchasers of goods and users of services, and unlisted debt securities. It also includes amounts receivable for finance lease transactions in which the Bank is the lessor.

  The financial assets included in this category are initially measured at fair value, adjusted by the transaction fees and costs that are directly attributable to the acquisition of the financial asset and which, in accordance with the provisions of Bank of Spain Circular 4/2004, must be allocated to the income statement using the effective interest rate method to their maturity. Following acquisition, the assets in this category are measured at amortized cost.

  Assets acquired at a discount are measured by the cash amount paid. The difference between their repayment value and the amount paid is recognized as financial income using the effective interest rate method for the period remaining to maturity.

  The interest accrued on these securities, calculated using the effective interest rate method, is recognized under "Interest and similar income" in the income statement. Exchange differences on securities denominated in currencies other than the euro are recorded in accordance with that set out in note 2.5. Any impairment losses on these securities are recognized in accordance with the items set out in note 2.11. Debt instruments included in fair value hedges are recorded in accordance with that set out in Note 2.4.

- **Available for sale financial assets:** this category includes debt securities and equity instruments that are not classified under other categories.

  The instruments included in this category are initially measured at fair value, adjusted by the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognized in the income statement using the effective interest rate method to their maturity, unless the financial assets have no fixed maturity, in which case they are recognized in the income statement when they become impaired or are derecognized. Following acquisition, the financial assets in this category are measured at fair value.

  Nonetheless, equity instruments whose fair value cannot be determined in a sufficiently objective way are valued at cost, net of any impairment loss, calculated according to the criteria explained in note 2.11.

  Changes in the fair value of available-for-sale financial assets from the time of purchase are recorded, net of their tax effect, in the Bank's equity under "Equity – Valuation adjustments – Available-for-sale financial assets" up to when the financial asset is derecognized, at which point the balance recorded in this item is recorded in the income statement under "Gains/losses on financial assets and liabilities (net)".

The return on assets classified as available for sale in the shape of interest or dividends is recognized under "Interest and similar income", calculated using the effective interest rate method, and under "Return on equity instruments – Other equity instruments" in the income statement, respectively. Any impairment losses on these instruments are recorded in accordance with that set out in note 2.11. Exchange differences on financial assets denominated in currencies other than the euro are recorded in accordance with that set out in note 2.5. Changes in the fair value of financial assets in this category hedged in fair value hedges are measured in accordance with that set out in note 2.4.

- **Financial liabilities at amortized cost:** in this category financial instruments include those financial liabilities that have not been included in any of the preceding categories.

  The financial liabilities included in this category are initially measured at fair value, adjusted by the amount of transaction costs that are directly attributable to the issue of the financial liability, which are recognized in the income statement using the effective interest rate method to their maturity. Subsequently they are measured at amortized cost.

  The interest accrued on these securities, calculated using the effective interest rate method, is recorded under "Interest expense and similar charges" in the income statement. Exchange differences on securities denominated in currencies other than the euro are recorded in accordance with that set out in note 2.5. Financial liabilities in this category hedged in fair value hedges are recorded in accordance with that set out in note 2.4.

2.3.5 Reclassification between portfolios of financial instruments

Reclassifications between portfolios of financial instruments are made exclusively in accordance with the following assumptions:

a) Unless the exceptional circumstances described in paragraph d) below obtain, financial instruments classified as "at fair value through profit or loss" are not reclassified either in or outside this category of financial instruments once acquired, issued or assumed.

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, all financial instruments classified under held-to-maturity investments are treated in the same way, unless such reclassification is in one of the situations allowed by applicable legislation (sales very close to maturity or when almost all the principal of the financial asset has been collected, etc.).

   During 2011 no financial assets recognised in the held-to-maturity investment portfolio were sold or reclassified.

c) As the result of a change in intention or financial capacity, or at the end of the two-year penalization period established in applicable legislation in the event of the sale of financial assets classified as held-to-maturity investments, financial assets (debt instruments) included under "available-for-sale financial assets" may be reclassified as "held-to-maturity investments". In this case, the fair value of these financial instruments at the date of transfer becomes a new amortized cost, and the difference between this amount and the redemption value is recognized in the income statement using the effective interest rate method for the residual life of the instrument.

   During 2011 no reclassification defined in the preceding paragraph took place.

d) A financial asset other than a derivative financial instrument may be classified outside the trading book if it ceases to be maintained for the purpose of selling or repurchasing it in the short term, provided that either of the following circumstances obtains:

   o In rare and exceptional circumstances, except in the case of assets that could have been included under loans and receivables. 'Rare and exceptional circumstances' means those arising from a particular event which is unusual and highly unlikely to recur in the foreseeable future.

   o When the Bank has the intention and financial capacity to maintain the financial asset for the foreseeable future or until maturity, provided that its initial recognition has met the loans and receivables definition. In these situations, the reclassification of the asset is made at its fair value on the reclassification date, without reversing the results and taking this value as its amortized cost. Under no circumstances are assets thus reclassified then reclassified once more under "Held for trading".

In 2011 no financial assets included under the Trading portfolio were reclassified.

2.4. Hedge accounting and risk mitigation

The Bank uses financial derivatives as part of its strategy to reduce its exposure to interest rate, market price and other risks. When these transactions meet the requirements of Bank of Spain Circular 4/2004, they are regarded as hedges.

When the Bank designates a transaction as a hedge, it does so from the beginning of the transactions or the instruments included in the hedge and it documents the hedge appropriately in accordance with current legislation. The documentation for these hedging transactions properly identifies the hedged item or items and the hedging instrument or instruments, as well as the nature of the risk being hedged. It also identifies the criteria or methods used by the Bank to assess the effectiveness of the hedge over its entire life, taking into account the risk being hedged.

The Bank only uses hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if during its expected lifetime the changes in fair value or cash flows attributable to the hedged risk in the hedging transaction for the hedged financial instrument or instruments are offset almost entirely by changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

To measure the effectiveness of hedges, the Bank examines whether from their inception and up to the end of the term defined for the hedge, it can prospectively be expected that the changes in fair value or the cash flows of the hedged item attributable to the hedged risk are almost entirely offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument or instruments, and that retrospectively the results of the hedge are within a range of 80% to 125% of the hedged item's results.

Hedging transactions undertaken by the Bank are classified as follows:

- **Fair value hedges:** these transactions hedge against exposure to changes in the fair value of financial assets and liabilities or firm commitments not yet recognized, or a portion of such assets, liabilities or firm commitments attributable to a particular risk, provided that they affect the income statement.
- **Cash flow hedges:** these transactions hedge against changes in cash flows attributed to a specific risk associated with recognised assets and liabilities or a planned transaction that is highly probable, provided that it could affect the income statement.

As for financial instruments designated as hedged items and hedge accounting, gains and losses are recognized as follows:

- In fair value hedges, gains or losses on both hedging instruments and hedged items are recognized directly in the income statement.
- In cash flow hedges, gains or losses on effective hedges of hedging instruments are temporarily recognized in equity under "Valuation adjustments – Cash flow hedges".

In general in cash flow hedges, gains or losses on hedging instruments, in the effective part of the hedges, are not recognized as income in the income statement until the losses/gains on the hedged item are recorded in income.

Any differences in the gains or losses on the hedging instrument in the ineffective portion are recognized directly under "Gains/losses on financial assets and liabilities" in the income statement.

The Bank discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer meets the requirements to be considered as such or when the transaction is no longer deemed to be a hedge.

When a fair value hedging transaction is discontinued, in the case of hedged items carried at their amortized cost, value adjustments resulting from the use of the hedge accounting described above are recognized in the income statement up to the maturity of the hedged items using the effective interest rate recalculated on the date of discontinuation of hedge accounting.

However, in the event of the discontinuing of a cash flow hedge, the cumulative gain or loss on the hedging instrument recognized in equity in the balance sheet will remain recognized under this item until the planned hedging transaction takes place, at which time it will be recognized in the income statement.

2.5. Foreign currency transactions

The Bank's functional currency is the euro. As a result, all balances and transactions denominated in currencies other than the euro are considered to be denominated in foreign currency.

At 31 December 2011 the breakdown of the equivalent value in thousands of euros of the main assets and liabilities balances in the balance sheet held in foreign currencies, based on the nature of the items that comprise them and the most significant currencies in which they are denominated, was as follows:

(Thousand euro)	2011	
Nature of the balances in foreign currency	Assets	Liabilities
Balances in US dollars		
Cash and deposits at central banks	245	-
Loans	8,514	-
Other assets	10	-
Financial liabilities at amortized cost		8,327
Other liabilities	-	25
	8,769	**8,352**
Balances in Japanese yen		
Cash and deposits at central banks	50	-
Loans	56,697	-
Financial liabilities at amortized cost	-	56,637
	56,747	**56,637**
Balances in Swiss francs		
Cash and deposits at central banks	103	-
Loans	48,376	-
Other assets	-	-
Financial liabilities at amortized cost:	-	48,243
Other liabilities	-	2
	48,479	**48,245**
Balances in other currencies		
Cash and deposits at central banks	529	-
Loans	982	-
Other assets	7	-
Financial liabilities at amortized cost	-	965
Other liabilities	-	9
	1,518	**974**
Total balances denominated in foreign currency	**115,513**	**114,208**

Transactions in foreign currencies by the Bank are initially recognized in financial statements by the equivalent value in euros using the rates of exchange on the dates on which the transactions are performed. Subsequently, the Bank translates money balances in foreign currencies into its functional currency using the exchange rate at the end of the accounting period.

Revenues and expenses are translated at the exchange rate on the date of the transaction. However, an average exchange rate for the period is used for all transactions during that period, unless they have undergone significant changes.

In addition:

- Non-monetary items measured at historical cost are translated into the functional currency at the exchange rate on the date of acquisition.
- Non-monetary items measured at fair value are translated into the functional currency at the exchange rate on the date on which this fair value is determined.

The exchange rates used by the Bank to translate balances denominated in foreign currencies into euros in order to draw up its financial statements have been those published by the European Central Bank.

Exchange differences that occur when translating foreign currency balances into the Bank's functional currency are recorded, in general, by their net amount under "Exchange differences (net)" in the income statement, except for exchange differences arising in financial instruments measured at fair value through profit or loss, which are recorded in the income statement without distinguishing them from other changes in their fair value.

Notwithstanding the foregoing, exchange differences arising in non-monetary items whose fair value is adjusted with a balancing entry in equity are recognized under "Valuation adjustments – Exchange differences" in the balance sheet until they are carried out.

2.6. Recognition of income and expenses

2.6.1 Interest income and expense, dividends and similar items

In general, interest revenue and expense and similar items are recognized for accounting purposes based on their accrual period, through the application of the effective interest rate method defined by Bank of Spain Circular 4/2004. Dividends received from other companies are recognized as revenues at the time the right to receive them arises for the Bank, which is the time the payment of the dividend is officially announced.

2.6.2 Commissions

Income and expenses for commissions are recorded in the income statement using different criteria depending on their type.

Financial commissions, such as opening fees for loans, are part of the actual return or cost of a financial transaction and are recognized in the same item as financial products and costs, i.e., in "Interest and similar income" and "Interest expense and similar charges". These commissions, which are billed in advance, are recognized in the income statement over the life of the transaction, except when they offset direct costs incurred.

Commissions that offset direct costs incurred, defined as those that would not have occurred if the transaction had not been arranged, are recorded under "Other operating income" at the time of the asset transaction. Individually, these commissions do not exceed 0.4% of the principal of the financial instrument, up to a maximum limit of €400. Any excess over the aforementioned limits is attributed to the income statement over the life of the transaction. When the amount is not greater than €90, they are recognized immediately in the income statement (see notes 30 and 37).

Non-financial commissions arising from the provision of services are recognized under "Commission income" and "Commission expense" over the service period, except for those that are for a single action in which case they accrue at the moment when it is carried out.

2.6.3 Non-financial income and expense

They are recognized for accounting purposes on an accrual basis.

2.6.4 Deferred collections and payments

They are recognized for accounting purposes at the amount resulting from discounting expected cash flows at market rates.

2.7. Offset of balances

Asset and liability balances are offset, in other words recorded in the balance sheet at their net amount, when they arise from transactions which, contractually or by law, provide for offsetting and it is intended to settle them for their net amount or sell the asset and settle the liability simultaneously.

In 2011 there were no balances were offset.

2.8. Transfers of financial assets

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

- If all the risks and rewards of the transferred assets are substantially transferred to third parties – unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases – the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.

- If all the risks and rewards associated with the transferred financial asset are substantially retained – sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, securities lending agreements in which the borrower undertakes to return the same or similar assets, securitization of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the expected credit losses on the securitized assets, and other similar cases – the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized without offsetting:

  - An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.

  - Any income from the financial asset that is transferred but not derecognized and any expense incurred on the new financial liability.

- If all the risks and rewards associated with the transferred financial asset are neither substantially transferred nor retained – sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of financial assets in which the transferor retains a subordinated debt or other types of credit enhancement for a portion of the transferred asset, and other similar cases – a distinction is made between the following cases:

  - If the transferring institution does not retain control of the transferred financial asset, when the transferred asset is derecognized in the balance sheet and any rights or obligations retained or created as a result of the transfer are recognized.

  - If the transferring institution retains control of the transferred financial asset, it continues to recognize it in the balance sheet for an amount equal to its exposure to changes in its value and it recognizes a financial liability associated with the transferred financial asset.

The net amount of the transferred asset and the associated liability is the amortized cost of the retained rights and obligations, if the transferred asset is measured at its amortized cost, or the fair value of the retained rights and obligations if the transferred asset is measured at its fair value.

In keeping with that set out above, financial assets are only derecognized in the balance sheet when the cash flows they generate have been extinguished or when all their inherent risks and rewards have been substantially transferred to third parties.

Note 29.4 summarizes the most significant circumstances of the major outstanding asset transfers at 31 December 2011.

2.9. Asset swaps

Tangible and intangible asset swaps are acquisitions of this type of assets in exchange for the provision of other non-monetary assets or a combination of monetary and non-monetary assets. For the purposes of these financial statements foreclosed assets are not considered to be asset swaps.

The asset received in an asset swap is recognized at the fair value of the asset provided plus any monetary compensation given in return, unless there is clearer evidence of the fair value of the asset received.

2.10. Securities loans

Securities loans are transactions in which the borrower receives full ownership of securities without any outlay other than paying commissions, with a commitment to return to the lender securities in the same class as those received.

Securities loan agreements in which the borrower is required to return the same assets, other assets substantially the same or similar ones with an identical fair value are considered to be transactions in which the lender substantially retains the risks and rewards associated with ownership of the asset.

2.11. Impairment of financial assets

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

- In the case of debt instruments (loans and debt securities) an adverse impact on the future cash flows that were estimated on the transaction date.
- In the case of equity instruments, that their carrying value may not be recovered in full.

It is held that a debt is doubtful because of customer arrears when the latter has any amount due for principal, interest or contractually agreed costs which is more than three months old, unless it should be classified as default. Likewise, it is considered that a contingent liability is doubtful because of its arrears when the secured party is in default. The amount of all transactions, excluding non-financial collateral, is also considered doubtful on the grounds of customer default when balances classified as doubtful due to default account for more than 25% of outstanding amounts.

Debt instruments and contingent liabilities and commitments are considered doubtful for reasons other than customer arrears when, without being considered to be in default or doubtful due to delinquency, there are reasonable doubts about their full repayment in the agreed terms, as are those contingent liabilities and commitments whose payment by the Bank is likely and their recovery is doubtful. This category includes:

- Transactions of customers in situations involving a deterioration of their creditworthiness, such as negative equity, continued losses, general delays in payments, an inadequate economic or financial structure, an inability to obtain additional financing or cash flows that are insufficient to meet their payment obligations.
- Reclaimed balances and those where it has been decided to make a legal claim for reimbursement by the Bank, even though they are guaranteed.
- Transactions where the debtor has initiated litigation and collection depends on its outcome.
- Lease transactions where the Bank has decided to cancel the contract to recover possession of the property.
- Transactions of customers declared, or expected to be declared, insolvent without filing for liquidation.
- All transactions of customers with balances classified as doubtful by reason of their default which have not yet reached the figure of 25% indicated above, if after an individualized study it is concluded that there is reasonable doubt about their total repayment.
- The contingent liabilities of secured parties declared insolvent for which liquidation has been, or is to be, declared or which are experiencing a manifest and irrecoverable decline in their creditworthiness, even though the beneficiary of the guarantee has not claimed its payment.

Additionally the Bank considers as "substandard risk" those debt instruments and contingent liabilities that, without meeting the requirements to be considered as doubtful as outlined in the foregoing paragraphs, as a whole have weaknesses that might mean the Bank taking losses greater than the hedges for the impairment of risks in normal conditions. Included in this category are transactions by customers in groups that are experiencing difficulties, such as those from the same small geographic area in the country or in the same economic sector and which due to their characteristics may be experiencing difficulties.

In the case of listed equity instruments, the criteria used by the Bank to determine impairment indicators are based firstly on determining time or percentage ranges for comparing the average cost with the market price of the instrument. In particular, the time or percentage ranges established by Bank policies are: a 40% decline in the stock market price compared with the average acquisition cost or a sustained decline in the listed price over 18 months. The Bank considers situations in which the issuer is declared, or is likely to be declared, insolvent or has significant financial difficulties to be evidence of impairment. Once the existence of evidence of impairment has been established under the above parameters, specific analysis is made of the fundamental figures of the instrument to confirm or rule out the need for allocations.

As a general rule, the carrying value of impaired financial instruments is adjusted with a charge to the income statement for the period in which the impairment becomes evident, and any reversals of previously recorded impairment losses are recognized in the income statement for the period in which the impairment is reversed or reduced.

When the recovery of any recognized amount is considered unlikely, it is derecognized from the balance sheet without prejudice to any actions the Bank may take to seek collection until its rights are finally extinguished by becoming statute-barred, forgiveness or any other cause.

Below are the criteria used by the Bank to determine possible impairment losses in each of the various categories of financial instruments and the method used to calculate the hedges for this impairment:

2.11.1 Debt instruments measured at amortised cost:

The amount of the impairment losses incurred by these instruments is equal to the positive difference between their carrying values and the present value of estimated future cash flows. The market value of quoted debt instruments is considered to be a reasonable estimate of the present value of their future cash flows. A decline in fair value below acquisition cost is not in itself evidence of impairment.

When estimating the future cash flows of debt instruments the following factors are taken into consideration:

- All the amounts that are expected to be obtained over the remaining life of the instrument, any resulting from the collateral provided for the instrument (minus costs for obtaining and subsequently selling it). Impairment loss takes into account the likelihood of collecting accrued past-due and uncollected interest.
- The various types of risk to which each instrument is subject.
- The circumstances in which collections are likely to be made.

Subsequently these cash flows are discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate on the discount date (if it is floating).

Specifically with respect to impairment losses arising from the occurrence of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency:

- When there is evidence of a reduction in the obligor's ability to pay, either because it is in arrears or for other reasons, and/or
- When "country risk" occurs, where this means the risk associated with debtors resident in a country owing to circumstances other than normal commercial risk.

Impairment losses on these assets are assessed as follows:

- Individually, for all significant debt instruments and for those which, although not significant, cannot be classified in uniform groups of instruments with similar characteristics based on instrument type, debtor's business sector and geographical location, type of collateral, age of past-due amounts, etc.
- Collectively, the Bank classifies transactions on the basis of the nature of the obligors and the conditions of the countries in which they reside, the status of the transaction or its type of collateral, the age of the arrears, etc., and then for each risk group it sets the impairment losses ("identified losses") that are recognized in the financial statements.

In addition to the identified losses, the Bank recognizes a global loss for impairment of risks classified as being "normal" and which have thus not been specifically identified. This loss is quantified using the parameters set by the Bank of Spain based on its experience and the information it has about the Spanish banking industry; these parameters are changed when circumstances so warrant.

2.11.2 Available-for-sale debt instruments

The impairment loss on debt securities included in the available-for-sale financial asset portfolio is equivalent to the positive difference, if any, between their acquisition cost (net of any principal repayment) and their fair value, less any impairment loss previously recognized in the income statement. A decline in fair value below acquisition cost is not in itself evidence of impairment.

In the case of impairment losses arising due to the insolvency of the issuer of debt instruments classified as available for sale, the procedure followed by the Bank for calculating such losses is the same as the method set out in the preceding section used for debt securities carried at their amortized cost.

When there is objective evidence that losses in the measurement of these assets arise from their impairment, they are removed from the "Valuation adjustments – Available–for–sale financial assets" equity item and are recognized, at their cumulative impairment amount, in the income statement. In the event that all or part of the impairment losses are subsequently reversed, the reversed amount is recognized in the income statement for the period in which the reversal takes place.

Likewise, any losses arising in the measurement of debt instruments classified as "Non-current assets held for sale" which are recorded in equity are considered to be realized and are consequently recognized in the income statement when the assets are classified as "Non-current assets held for sale".

2.11.3 Available-for-sale equity instruments:

The impairment loss on equity instruments included in the available-for-sale financial asset portfolio is equivalent to the positive difference, if any, between their acquisition cost and their fair value, minus any impairment loss previously recognized in the income statement. A decline in fair value below acquisition cost is not in itself evidence of impairment.

The criteria for recognizing impairment losses on equity instruments classified as available for sale are similar to those used for "Debt instruments" (as explained in the preceding note), with the exception that any reversal of these losses is recognized in equity under "Valuation adjustments – Available-for-sale financial assets".

2.11.4 Equity instruments measured at acquisition cost

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

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

2.12. Financial guarantees and related provisions

Financial collaterals are defined as agreements whereby an institution undertakes to make specific payments on behalf of a third party if the latter fails to do so and irrespective of the various legal forms they may have, including sureties, financial or technical guarantees and irrevocable documentary credits issued or confirmed by the Bank. These transactions are recorded in the memorandum items of the balance sheet under "Contingent liabilities".

When formalized the agreements are recognized at fair value, meaning the present value of future cash flows, under the assets item "Loans and receivables", with a balancing entry in the liabilities item "Financial liabilities at amortized cost – Other financial liabilities". Changes in the value of the agreements are recorded as income in "Interest and similar income" in the income statement.

Financial collaterals, regardless of their guarantor, instrumentation or other circumstances, are regularly reviewed to determine the credit risk to which they are exposed and, if necessary, to consider whether a provision is required for them. The provision is decided using criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost as described in note 2.11.1.

The provisions constituted for these transactions are recognized under "Provisions – Provisions for contingent liabilities and commitments" on the liability side of the balance sheet. These provisions are allocated and reversed with a balancing entry in "Allocation to provisions (net)" in the income statement.

Note 29.1 shows the composition of the risk borne by these transactions based on their legal form.

2.13. Accounting for lease transactions

2.13.1 Finance leases

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

When the Bank acts as the lessor of an asset in a finance lease transaction, the sum of the present value of the amounts to be received from the lessee plus the guaranteed residual value (usually the exercise price of the lessee's purchase option at the end of the agreement) is recognized as lending to third parties and hence is included under "Loans and receivables" in the balance sheet based on the type of lessee.

When the Bank acts as the lessee in finance lease transactions, the cost of the leased assets is recorded in the balance sheet on the basis of the type of the leased asset, and at the same time a liability is recognized for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the amounts payable to the lessor plus, where applicable, the exercise price of the purchase option). These assets are amortized using rates similar to those used for the Bank's property, plant and equipment for own use as a whole (see note 2.18.1).

In both cases financial income and expenses arising on these contracts are credited or charged respectively to the income statement under "Interest and similar income" and "Interest expense and similar charges" respectively, using the transaction's effective interest rate method to estimate their accrual.

2.13.2 Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards associated with it are retained by the lessor.

When the Bank acts as the lessor of an asset in an operating lease transaction, the acquisition cost of the leased assets is recorded under "Property, plant and equipment" as "Investment property" or as "Other assets transferred by operating lease", depending on the type of the leased assets. These assets are amortized in keeping with the policies adopted for similar property, plant and equipment for own use and the income from lease agreements is recognized in the income statement on a straight-line basis under "Other operating income".

When the Bank acts as the lessee in operating lease transactions, lease expenses, including any incentives granted by the lessor, are recorded on a straight-line basis in the income statement under "Other general administration expenses".

2.14. Assets under management

Assets managed by the Bank owned by third parties are not included in the balance sheet. Any commissions generated by this activity are included under "Commission income" in the income statement. Note 29.3 provides information regarding third-party equity marketed by the Bank at 31 December 2011.

2.15. Personnel expenses

2.15.1 Post-employment remuneration

Post-employment remuneration is compensation paid to employees once their employment has ended. Post-employment remuneration covered through internal or external pension funds is classified as defined contribution plans or defined benefit plans on the basis of the conditions attached to these obligations, taking into account all commitments accepted whether or not they are part of the terms formally agreed with employees.

The Bank has subrogated to all of the rights and obligations relating to the retirement systems existing at Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa.

As a result, in accordance with the agreement and current labour agreements, the Bank has assumed the commitment to supplement public Social Security benefits for employees in the case of retirement, widowhood, orphanhood and disability or severe disability.

Defined contribution plans

On 15 October 2010 Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa signed an agreement with employee representatives that regulated the creation of a new Pension Plan at Unnim before July 2011 into which all of the consolidated rights under the three plans originating from the three merged savings banks would be moved (Caixa d'Estalvis de Manlleu, Sabadell i Terrassa). This agreement also unified the criteria for contributions to the scheme which will be implemented retrospectively when the new plan is formalized.

In May 2011 all of the consolidated rights were moved into a single plan (Pla de Pensions dels Empleats d'Unnim) and, as a result, at 31 December 2011 the Bank is the promoter of a pension plan to cover pension commitments to active employees.

The contributions accrued during the year for this item are recorded under "Personnel expenses" in the income statement.

In the event that at 31 December there is any amount pending contribution to the external plan into which the commitments have been transferred, it is recorded at its present value under "Provisions – Provisions for pensions and similar liabilities" in the balance sheet. At 31 December 2011 no amount was pending contribution to external defined contribution plans.

Defined benefit plans

The Bank records the present value of defined benefit pension commitments under "Provisions – Provisions for pensions and similar liabilities" on the liabilities side of the balance sheet, net of the fair value of the assets that are considered to be assets allocated to the plan and of the "costs of past services", whose recording has been deferred as explained below.

"Assets dedicated to the plan" are considered to be those that are associated with a specific defined benefit commitment through which these obligations will be directly settled and which meet the following conditions: owned by an unassociated legally separate third party and not by the consolidated companies, only available to pay or finance employee post-employment compensation and cannot revert to the entities unless the assets that remain in the plan are sufficient to comply with all of the plan's or the entity's obligations relating to the benefits for current and past employees, or to make repayment for the employee benefits already paid by the Bank.

If the Bank can demand full or partial payment from an insurer of the disbursement required in order to cancel a defined benefit obligation and it is practically certain that this insurer will reimburse some or all of the disbursements required in order to cancel this obligation, but the insurance policy does not meet the conditions to be an asset allocated to the plan, the Bank records its rights to the reimbursement on the asset side of the balance sheet under "Pension insurance policies", which in all other aspects is treated as an asset of the plan.

"Actuarial gains and losses" originate from the differences between prior actuarial assumptions and reality and from changes in the actuarial assumptions used.

The Bank records the actuarial gains or losses that may arise from its post-employment commitments to staff in the year in which they occur by either charging or crediting the income statement.

"Past service costs" resulting from changes in post-employment remuneration that already exist or when new benefits are introduced, are recognized in the income statement on a straight-line basis over the period between when the new commitments arise and the date the employee becomes irrevocably entitled to receive the new benefits.

Post-employment remuneration is recorded in the income statement as follows:

- The cost of the services in the current period, meaning the increase in the present value of the obligations arising as a result of the services rendered by employees in the year, is recorded under "Staff costs".
- The interest cost, meaning the increase in the year in the present value of the obligations as a result of the time elapsed, is recorded under "Interest expense and similar charges". When obligations are recorded under liabilities net of the assets allocated to the plan, the cost of the liabilities recognized in the income statement will be entirely for the obligations recorded under liabilities.
- The expected return on the assets recorded on the asset side of the balance sheet assigned to cover the commitments, and the losses and increases in their value, less any cost originated by their administration and the taxes levied on them, is recorded under "Interest and similar income".
- The amortization of actuarial gains and losses is recorded, using the fluctuation margin and unrecognized past service costs, under "Allocations to provisions (net)" in the income statement.

Below are the Bank's various defined benefit post-employment commitments:

- The policies underwritten by Caser Grupo Asegurador, Caixa Sabadell Vida, S.A. and Unnim Vida, S.A.
- An internal provision fund for certain commitments to retired employees from Caixa Manlleu that, under the authorization of the Ministry of Economy and Finance in 2001, was kept in an internal fund.

At 31 December 2011, actuarial studies were prepared on the coverage of pension commitments. Specifically, the method used was the projected credit unit which determines the present value of benefit obligations for the year, considering each year of service as giving rise to an additional unit of entitlement to benefits and assessing each unit separately. For retirement benefits, the benefit to be received by the employee from the date of retirement has been projected depending on the evolution of the variables that determine it and the calculation of benefits accrued on the measurement date.

The most significant actuarial assumptions used in the studies are as follows:

Rise in the General Consumer Price Index 2.00%

Technical interest of the accounting provision....................................4.66%

Survival tables used PERMF2000P

2.15.2 Other long-term remuneration

2.15.2.1. Redundancy procedure

On 21 October 2010, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa and union representatives and employees concluded an agreement: "Agreement for the implementation and improvement of the commitments acquired with respect to the excess personnel caused by the merger process and the creation of Unnim".

After this agreement was concluded (to which the Bank subrogated), which is in force until 31 December 2011, a lay-off plan was carried out and employees were offered the opportunity to voluntarily join an early-retirement plan if certain requirements were met. being aged 55 or over in 2010 and in that year having or reaching recognized length of service in Unnim accrued in their savings bank of origin equal to or greater than 15 years at the time of taking early retirement.

The employees that terminated their employment contracts in 2011 through the early retirement agreement were entitled to receive a lump-sum indemnity equivalent to:

- 90% of the annual net salary of the employee on the date of termination of the contract, multiplied by the number of years until the age of 65
- Plus the amount of the special agreement with the General Treasury of the Social Security which the employee must sign and pay from the age of 61 until early retirement at 64
- Plus capitalization to age 65 of educational subsidies for handicapped children
- Minus the amount to be received by the employee as unemployment benefit and the amount of the early retirement pension the employee will receive between 64 and 65

In the event that the result of the above operations is less than the amount resulting from paying 20 days salary per year of service, with a maximum of 12 monthly payments, this latter amount will be paid.

As for the employee pension plan, an employee taking early retirement retains the right to contributions on 100% of pensionable salary to the normal retirement age.

Compensation for each redundancy is recognized in the income statement under "Allocations to provisions (net) – Other provisions", where all Bank restructuring costs are recorded. In addition, the amount to be contributed to the employee pension plan until retirement age is recorded in a fund under "Provisions – Other provisions" in the balance sheet, with a balancing entry in the abovementioned income statement item.

2.15.2.2. Early retirement

Prior to the merger of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, each of the three merged savings banks had concluded partial retirement plans involving relief contracts for permanent employees that met the requirements established by Royal Decree 1131/2002. These agreements were not renewed by the entity of subsequently by the Bank.

The entire cost of wages, salaries, Social Security contributions, defined contributions to pension plans, etc., up to retirement age agreed with the employees who joined the programme between 2003 and 30 June 2010 are covered by a special fund included under "Provisions – Provisions for pensions and similar liabilities" in the accompanying balance sheet.

2.15.2.3. Death or disability

The commitments made by the Bank to cover employee death or disability contingencies during the employment period and which are covered by insurance policies are recorded in the income statement under "Staff costs" for an amount equal to the amount of the premiums for these insurance policies due each year.

2.15.2.4. Severance payments

Pursuant to current legislation, the Bank is required to pay severance to employees who are dismissed without cause. There is no staff reduction plan necessitating the creation of a provision for this item.

2.15.2.5. Credit facilities

In accordance with the Bank of Spain Circular 4/2004, the granting of credit facilities to employees at below market conditions is considered to be a non-monetary benefit and is estimated by the difference between the market and the agreed conditions. They are recorded under "Personnel expenses", with a balancing entry in "Interest and similar income" in the income statement.

2.16. Corporate income tax

Corporate income tax expense is recognized in the income statement, except when it results from a transaction whose results are recognized directly in equity, in which case it is also recognized as a balancing entry in Bank equity.

Current corporate income tax expense is calculated as the tax payable on taxable profit for the accounting period, adjusted by the amount of the changes in the year in the assets and liabilities recognized as a result of temporary differences and tax credit and tax loss carryforwards (see note 22).

The Bank considers that there is a temporary difference when there is a difference between the carrying value of an asset or liability and its tax base. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Bank to make a payment to the tax authorities. A deductible temporary difference is one that will generate a right for the Bank to a refund or a reduction in its tax charge in the future.

Tax credit and tax loss carryforwards are amounts that, after the performance of the activity or obtaining of the profit or loss giving entitlement to them, are not used for tax purposes in the tax return until the conditions established in tax regulations are met and the Bank believes it to be probable that they will be used in future years.

Current tax assets and liabilities are the taxes that are expected to be respectively recoverable from or payable to the tax authorities within at most twelve months from the date on which they are recognized. Deferred tax assets and liabilities are the taxes that are expected to be respectively recoverable from or payable to the tax authorities in future years.

Deferred tax liabilities are recognized for all taxable temporary differences.

The Bank only records deferred tax assets originating from deductible temporary differences, tax credits and tax loss carryforwards if they meet the following requirements:

- Deferred tax assets are only recognized if it is considered probable that the Bank will have sufficient future tax benefits against which they can be used.
- In the case of deferred tax assets arising from tax loss carryforwards, if these have taken place due to identified causes that are unlikely to recur.

Deferred tax assets and liabilities are not recognized when an asset or liability is initially recorded that does not arise from a business combination and which at the time of recognition has not affected the accounting or tax profit or loss.

At each accounting close deferred tax assets and liabilities are reviewed in order to check that they are still valid and make any relevant adjustments.

2.17. Shareholdings

Those investee companies that constitute a decision-making unit with the Bank, which are those over which the Bank has, directly or indirectly, through another or other investee companies, capacity to exercise control, are subsidiaries. This capacity to exercise control generally, although not exclusively, takes the form of a shareholding, held directly or indirectly through another or other Investees, of 50% or more of the investee's voting rights. Control is understood as power to direct an investee's financial and operations policies in order to obtain gains from its operations. Control may be exercised although the aforementioned shareholding percentage is not held.

Significant information concerning the shareholdings in subsidiaries at 31 December 2011 is set out in Appendix I.

Jointly-controlled companies are investees which are not Subsidiaries but are controlled jointly by the Bank and another or other entities not related to the Bank and joint ventures. Joint ventures are contractual agreements under which two or more entities or members carry out transactions or hold assets such that any strategic, financial or operational decision that affects them requires the unanimous consent of all members. Such transactions or assets are not included in different financial structures from those of the members.

Significant information concerning the shareholdings in jointly-controlled companies at 31 December 2011 is set out in Appendix II.

Investees in which the Bank has a significant influence are Associates. This significant influence generally, although not exclusively, takes the form of a shareholding, held directly or indirectly through another or other Investees, of 20% or more of the investee's voting rights.

Significant information concerning the shareholdings in associates at 31 December 2011 is set out in Appendix III.

2.18. Property, plant and equipment

Property, plant and equipment were classified, for accounting purposes under: property, plant and equipment for own use and investment properties.

2.18.1 Property, plant and equipment for own use:

Property, plant and equipment for own use includes those assets that are owned or acquired under finance leases that the Bank holds for its own current or future use for administrative purposes or for the production or supply of assets and when they are expected to be used for more than one financial year. This category includes property, plant and equipment received by the Bank in full or partial settlement of financial assets representing receivables from third parties which are intended to be held for on-going and own use.

As a general rule, property, plant and equipment for own use are measured at acquisition cost less cumulative depreciation and any impairment loss resulting from the carrying value of an asset being greater than its recoverable amount.

Depreciation is calculated on a straight-line basis in accordance with the years of estimated useful life of property, plant and equipment, except for computer equipment where the declining balance by sum of the year's digits method is used.

The annual allocations for depreciation of property, plant and equipment are made with a balancing entry in "Depreciation - Property, plant and equipment" in the income statement.

Below are the estimated useful lives of the property, plant and equipment included in this item:

	Estimated useful life
Buildings for own use	Between 25 and 90 years
Furniture and installations	Between 3 and 10 years
Computer equipment and installations	Between 1 and 4 years

At each accounting close, the Bank analyses whether there are any internal or external indications that the carrying value of its property, plant and equipment is greater than their recoverable amount. If this is case, the Bank reduces the carrying value of the asset to its recoverable amount and adjusts future depreciation charges in proportion to its carrying value adjusted to its new remaining useful life if this has been re-estimated. The carrying value of property, plant and equipment for own use is reduced where necessary with a charge to "Impairment losses on assets (net) – Property, plant and equipment" in the income statement.

Similarly, if there is an indication of a recovery in the value of an impaired tangible asset, the Bank recognizes the reversal of the impairment loss recognized in prior periods with a credit to "Impairment losses on assets (net) – Property, plant and equipment" in the income statement and adjusts future depreciation charges accordingly. Under no circumstances may the reversal of the impairment loss of an asset entail an increase in its carrying value in excess of that which it would have had had impairment losses not been recognized in previous years.

At least once a year, or when there are signs that make it advisable, the estimated useful lives of property, plant and equipment for own use are reviewed in order to detect any significant changes. If there are any, they are adjusted by correcting the depreciation charge to be recognized in the income statement in future years in accordance with the new useful lives.

Upkeep and maintenance expenses of property, plant and equipment for own use are charged to the income statement in the year in which they are incurred under "Other general administration expenses". Borrowing costs incurred in the financing of items of property, plant and equipment for own use are charged to the income statement on an accrual basis and are not included in the acquisition cost of these items.

2.18.2 Investment properties

"Property, plant and equipment – Investment property" in the balance sheet reflects the net values of the land, buildings and other structures irrespective of how they are incorporated into the balance sheet that are held to let out or to earn a capital gain on their sale as a result of future increases in their respective market prices.

The criteria used to recognize the acquisition cost of investment property for its depreciation, to estimate its useful life and to recognize any impairment losses are the same as those described in relation to property, plant and equipment for own use.

Foreclosed assets which, depending on their type and intended purpose, are classified by the Bank as investment property are recognized using the criteria outlined in note 2.20.

2.19. Intangible assets

Intangible assets are identifiable non-monetary assets with no physical appearance which occur as a result of a legal transaction or have been developed internally by the Bank. Only intangible assets whose cost can be estimated reasonably objectively and which the Bank believes are likely to generate future economic benefits are recognized.

Intangible assets are measured initially at their acquisition or production cost and are subsequently measured at cost less any cumulative amortization and impairment losses.

The annual amortization of intangible assets is recorded under "Amortization – Intangible assets" in the income statement. Their estimated useful life is no longer than 10 years.

The criteria for the recognition of impairment losses on these assets and any reversals of impairment losses recorded in previous years are similar to those used for property, plant and equipment for own use (see note 2.18.1).

2.20. Non-current assets for sale

"Non-current assets held for sale" in the balance sheet includes the carrying value of items whose sale in their present condition is highly likely to be completed within one year of the reporting date of the financial statements.

Hence the carrying value of these items, which may be financial or otherwise, will foreseeably be recovered through the price obtained on their disposal rather than through their on-going use.

Specifically, property or other non-current assets received by the Bank as total or partial settlement of its debtors' payment obligations are deemed to be non-current assets held for sale, unless the Bank has decided, based on the type and intended use of the assets, to classify them as property, plant and equipment for own use, as investment property or as inventory.

In general, assets classified as non-current assets held for sale are measured at the lower of their carrying value calculated when they are classified and their fair value less estimated sale costs. While they are classed as non-current assets held for sale, tangible and intangible assets which are depreciable/amortizable by nature are not depreciated/amortized.

Foreclosed assets classified as non-current assets held for sale are initially recognized by the lower of the carrying value of the financial assets applied (amortized cost less impairment losses, with a minimum of 10%) and the valuation of the asset received less sales costs which will not be less than 10% of the valuation.

The length of time that foreclosed assets have been on the balance sheet is considered by the Bank as an unequivocal indication of impairment. As a result the Bank raises the impairment percentage from the 10% indicated above to 20% if the asset's acquisition date is more than 12 months previously and to 30% if it is more than 24 months, unless in the latter case a valuation shows a higher fair value while observing the minimum of 20%. Furthermore, these percentages rise if the net carrying value of these impairments and sale costs is higher than the valuation. These impairments are presented under "Impairment losses on assets (net) – Non-current assets held for sale" in the income statement.

Gains/losses on the sale of non-current assets held for sale are presented under "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the income statement.

2.21. Inventories

This item in the balance sheet includes the Bank's non-financial assets:

- holds for sale in the ordinary course of its business;
- in the process of production, construction or development for such sale
- to be consumed in the production process or in the rendering of services

Consequently inventory is considered to be land and other properties other than real estate held for sale or to be used in a property development.

Inventories are measured at the lower of their cost (which includes all costs of purchase and processing and direct and indirect costs incurred in bringing the inventories to their current condition and location) and their "net realizable value". Net realisable value is defined as the estimated selling price of inventories less the estimated production costs and costs to sell.

The costs of inventories not ordinarily interchangeable and of goods and services produced and segregated for specific projects are determined on an individual basis.

Any write-downs and any subsequent reversals of the net realizable value of inventories to less than their net value are recognized in the income statement for the year in which they occur under "Impairment losses on other assets – Other assets".

Assets foreclosed by the Bank which are classified as inventory based on their type and intended purpose are recognized under the criteria set by the initial recording and any impairment of these assets in note 2.20, applying in addition the criteria referred to above in this note to determine the value of inventory.

2.22. Provisions and contingent liabilities

Provisions are credit balances covering present obligations at the balance sheet date arising from past events which might give rise to a loss for the consolidated institutions, which are considered to be probable with respect to their occurrence and certain in terms of their nature but uncertain in terms of their amount and/or timing.

Contingent liabilities are possible obligations that arise from past events and whose materialization is subject to the occurrence or non-occurrence of one or more future events not within the Bank's control.

The Bank's financial statements include all significant provisions concerning which it is considered that it is more probable than not that the obligation will have to be settled. Contingent liabilities are not recorded in the Bank's annual accounts but are reported in accordance with the provisions of Bank of Spain Circular 4/2004 (see Note 29.1).

Provisions, which are quantified using the best information available about the consequences of the event giving rise to them and are re-estimated at the end of each year, are used to meet the specific obligations for which they were originally recognized. They are fully or partially reversed when these obligations no longer exist or are reduced.

The provisions believed to be necessary consistent with the foregoing criteria are recognized with a charge or credit to "Allocations to provisions (net)" in the income statement.

2.23. Own equity instruments

Own equity instruments are considered to be those that meet the following conditions:

- They do not include any type of contractual obligation for the issuer that involves the delivery of cash or other financial assets to a third party or the exchange of financial assets or liabilities with third parties under conditions that are potentially unfavourable for the Bank.

- They may, or will be, settled using the equity instruments of the issuing entity: when a non-derivative financial instrument there will not be any obligation to deliver a variable number of its own equity instruments, or when a derivative, provided settled for a fixed amount of cash or other financial asset, in exchange for a fixed number of own equity instruments.

The transactions involving own equity instruments, including their issue and redemption, are recognised directly under equity.

Changes in the value of the instruments classified as equity are not recorded in the financial statements. Consideration received or paid for these instruments is added or deducted directly under equity and the costs associated with the transaction reduce equity.

At 31 December 2011, the Bank had not issued any equity instruments.

2.24. Payments based on equity instruments

The delivery of company equity instruments to employees as compensation for their services, when these instruments are provided without any determined vesting period to obtain full ownership, are recognised as an expense under "Personnel expenses" in the income statement, and the balancing entry is recorded under Bank equity.

In addition, when an employee is entitled to the equity instruments once a specific period of service has been completed, the expense is also recorded under "Personnel expenses" in the income statement, and the balancing entry under Bank equity, if the employee renders services over the entire aforementioned period.

In 2011 the Bank did not make any significant payments based on equity instruments.

2.25. Statements of changes in equity

Bank of Spain Circular 4/2004 requires certain assets and liabilities to be recognized with a balancing entry in equity. These balancing entries, called "Valuation adjustments", are included in the Institution's equity net of the tax effect. This information is broken down, in turn, into two statements: the statement of recognised income and expenses and the statement of total changes in equity. These statements reflect the changes in the year together with the gains/losses generated during the year and adjustments made for changes in accounting principles or errors in prior periods.

- **Statement of recognized revenue and expense**

  This statement presents the income and expenses generated by the Bank as a result of its activity during the year and a distinction is made between those recorded as results in the income statement for the year and other income and expenses recognised in accordance with current legislation, directly under equity.

  Therefore this statement presents:

  - Profit or loss for the year
  - Net amount of income and expenses temporarily recognized as valuation adjustments in equity.
  - Net amount of income and expenses definitively recognized in equity.
  - Corporate income tax for the items listed above.
  - Total recognized income and expenses.

  Changes in income and expenses recognized in equity as valuation adjustments are broken down into:

  - Measurement gains/(losses): represents the total income, net of expenses for the year, directly recognised 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 recognised in equity, albeit for the same year, that are recognised in the income statement.
  - Amount transferred to the opening value of hedged items: represents the balance of valuation gains and losses previously recognised in equity, albeit for the same year, recognised in the initial carrying amount of assets and liabilities resulting from cash flow hedges.
  - Other reclassifications: includes the amount of the transfers made in the accounting period between valuation adjustment items based on current regulations.

  The amounts of these items are presented gross and the related tax effect is shown under "Corporate income tax" in the statement.

- **Statement of total changes in equity**

  All changes in total equity, including those arising from changes in accounting policies and the correction of mistakes, are presented in this statement. This statement therefore shows a reconciliation of the carrying amount at the start and end of the year of all the items forming part of equity, grouping movements by nature into the following items:

  - Adjustments due to changes in accounting policies and the correction of errors: including any changes in 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 recognised during the year: represents the aggregate of all items of recognised income and expense, as outlined above.

- o Other changes in equity: represents all other items recognised 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.

2.26. Cash flow statements

The terms below are used in the presentation of cash flow statements:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to a low risk of changes in value.
- Operating activities: principal banking activities and other activities that are not investing or financing activities.
- *Investment activities:* the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- *Financing activities:* activities that alter the amount and structure of equity and liabilities that are not operating activities.

For the purposes of drawing up the cash flow statement, "cash and cash equivalents" means short-term, highly liquid investments with an insignificant risk of changes in their value. Thus the Group considers the following financial assets and liabilities to be cash or cash equivalents:

- Cash owned by the Institution which is recorded under "Cash and deposits in central banks" in the balance sheet (note 5).
- Net balances held at central banks, which are recorded under "Cash and deposits in central banks" (the debit balances held with central banks) and "Financial liabilities at amortized cost – Deposits from central banks" (credit balances) in assets and liabilities, respectively, in the balance sheet (notes 5 and 17.1).
- Demand debit balances held at credit institutions other than central banks, which are recorded under "Loans and receivables – Deposits in credit institutions" in the balance sheet (note 9). Credit balances are recorded, among other items, under "Financial liabilities at amortized cost – Deposits from credit institutions" in liabilities in the balance sheet (note 17.2).

3. Proposal for distributing results and earnings per share

3.1. Distribution of the Bank's results

The proposal for distributing 2011 results that will be presented to Shareholders (FROB) at a General Meeting by the Administrator:

(Thousand euro)	2011
Voluntary reserves	(435,373)
To legal reserve	-
to dividends	-
Profit for the year	**(435,373)**

3.2. Earnings per share

The basic earnings per share is calculated by dividing the net results attributed to the Group by the average weighted number of outstanding ordinary shares during the year, excluding any treasury shares held by the Group. The diluted earnings per share is calculated by adjusting the net results attributed to the Group and the average weighted number of outstanding ordinary shares by the effects of the estimated conversion of all potential ordinary shares.

As a result, the calculation of the Group's earnings per share is as follows:

(Thousand euro)	2011
Surplus/(loss) attributable to Group	(469,074)
Results from discontinued activities	-
Results from continued activities	(469,074)
Weighted average number of outstanding shares	971,313,780
Assumed conversion of convertible debt	-
Dilution effect of options/share rights	-
Weighted average number of outstanding shares (adjusted)	971,313,780
Basic earnings per share (euro)	**(0.483)**
Basic earnings per share from discontinued operations (euro)	**-**
Basic earnings per share from continued operations (euro)	**(0.483)**
Diluted earnings per share (euros)	**(0.483)**
Diluted earnings per share from discontinued operations (euro)	**-**
Diluted earnings per share from continued operations (euro)	**(0.483)**

4. Business segment reporting

4.1. Breakdown of the balance

The Bank's core business is retail banking and it has no other significant lines of business such that regulations would require the Bank to segment and manage its operations based on them.

4.2. Segmenting by geographical area:

The Bank operates in Spain and its type of clientele is similar across the country. Therefore the Bank considers there is a single geographical segment for all its operations.

5. Cash and deposits at central banks

The breakdown of this item in the balance sheet is as follows:

(Thousand euro)	2011
Cash	92,400
Deposits at the Bank of Spain	149,246
Measurement adjustments	125
Cash and deposits at central banks	**241,771**

The average effective interest rate on deposits at central banks in 2011 was approximately 1.46%.

6. Financial assets and liabilities held for trading

6.1. Breakdown of the balance

The breakdown of the financial assets included in this category at 31 December 2011, classified by the geographical area where the risk is located, by type of counterparty and by type of instrument, is as follows:

(Thousand euro)	2011	
	Receivable	Payable
By geographic area		
Spain	3,769	3,091
Other European Union countries	1,283	613
Other countries	129	-
Total	**5,181**	**3,704**
By counterparty categories:		
Credit institutions	3,826	2,014
Other resident sectors	1,355	1,690
Total	**5,181**	**3,704**
By type of instrument		
Derivatives not traded on organised markets	5,181	3,704
Derivatives traded on organised markets	-	-
Total	**5,181**	**3,704**

The carrying value in the above table is the Bank's maximum exposure to credit risk in terms of the financial instruments it includes.

6.2. Financial derivatives held for trading

The breakdown by type of product of the fair value of the Bank's derivatives held for trading together with their notional value (the amount used to calculate the future collections and payments of these derivatives) at 31 December 2011 is as follows:

(Thousand euro)	2011		
	Notional value	Fair value (+)	Fair value (-)
Unmatured foreign currency purchase and sale transactions	**6,742**	**219**	**208**
Stock options			
Purchased	6,000	68	-
Sold			
Interest-rate options			
Purchased	9,069	1	-
Sold	-	-	-
Swaps	1,724,957	3,767	1,949
Currency options	**10,000**	**607**	
Other options			
Purchased	11,000	519	1,547
Sold			
Total		**5,181**	**3,704**

The notional and/or contractual amount of the agreements does not reflect the actual risk assumed by the Bank as the net position in these financial instruments is their netting and/or combination.

7. Other financial assets and liabilities at fair value through profit or loss

The breakdown of the financial assets included in this category at 31 December 2011, classified by the geographical area where the risk is located, by type of counterparty and by type of instrument, is as follows:

(Thousand euro)	2011	
	Receivable	Payable
By geographic area		
Spain	-	-
Other European Union countries	322	-
Total	**322**	**-**
By counterparty categories:		
Other resident sectors	-	-
Other non-resident sectors	322	-
Total	**322**	**-**
By type of instrument		
Debt securities	322	-
Other fixed-income securities	322	-
Total	**322**	**-**

The carrying amount in the above table is the Bank's exposure to credit risk in terms of the financial instruments it includes.

The average effective interest rate of the debt securities classified in this item in 2011 was approximately 2.89%.

8. Available-for-sale financial assets

The breakdown of the financial assets included in this category at 31 December 2011, classified by the geographical area where the risk is located, by type of counterparty and by type of instrument, is as follows:

(Thousand euro)	2011
By geographic area	
Spain	3,553,735
Other European Union countries	57,981
Other non-European Union countries	337
Gross total	3,612,053
Impairment losses	(1,381)
Net total	**3,610,672**
By counterparty categories:	
Credit institutions	143,954
Resident Public Administrations	3,143,841
Other resident sectors	271,139
Other non-resident sectors	53,119
Gross total	**3,612,053**
Impairment losses	(1,381)
Net total	**3,610,672**
By instrument types:	
Debt securities	3,265,471
Spanish government debt	3,143,841
Treasury Bills	1,019,353
Government bonds and debentures	2,098,844
Regional government debt	25,644
Other fixed-income securities	121,630
Other equity instruments	346,582
Shares in listed Spanish companies	173,074
Shares in unlisted Spanish companies	90,763
Shares in listed foreign companies	46,330
Investments in the share capital of investment funds	36,415
Gross total	**3,612,053**
Impairment losses	(1,381)
Net total	**3,610,672**

The carrying amount in the above table is the Bank's exposure to credit risk in terms of the financial instruments it includes.

The average effective interest rate of the debt securities classified in this item in 2011 was approximately 4.12%.

Below are the movements in 2011 in the impairment losses recorded in this heading:

(Thousand euro)	2011		
	Losses estimated on an individual basis	Losses estimated on a collective basis	Total
Balance at 1 January 2011	1,380	1,776	3,156
Charge for the Year	1	-	1
Recoveries	(9)	(1,776)	(1,785)
Other movements	9	-	9
Balance at 31 December 2011	**1,381**	**-**	**1,381**

9. Loans

An analysis of the balances of this caption on the asset side of the balance sheet, based on the nature of the financial instrument, is as follows:

(Thousand euro)	2011
By class of instrument	
Bank deposits	151,982
Customer loans	19,022,752
Debt securities	1,085,783
Measurement adjustments	
Impairment losses	(653,207)
Other measurement adjustments	(10,533)
Total	**19,596,777**

9.1. Bank deposits

The breakdown of the financial assets included in this category at 31 December 2011, classified by type of counterparty and by type of instrument, is as follows:

(Thousand euro)	2011
By counterparty categories:	
Credit institutions	151,982
Measurement adjustments	382
Accrued interest	*388*
Commissions	*(6)*
Total	**152,364**
By type of instrument	
Bank deposits at credit institutions	119,152
On demand deposits at credit institutions	11,777
Other financial assets	21,053
Measurement adjustments	382
Accrued interest	*388*
Commissions	*(6)*
Total	**152,364**

The average effective interest rate of the financial instruments classified in this item in 2011 was approximately 1.51%.

The carrying amount in the above table is the Bank's maximum exposure to credit risk in terms of the financial instruments it includes.

9.2. Customer loans

The breakdown of the financial assets included in this category at 31 December 2011, classified by type of counterparty and by type of instrument, is as follows:

(Thousand euro)	2011
By counterparty categories:	
Resident Public Administrations	51,668
Other resident sectors	18,932,869
Other non-resident sectors	38,215
Impairment losses	(650,352)
Other measurement adjustments	(10,915)
Accrued interest	*29,433*
Commissions	*(60,739)*
Other measurement adjustments	*20,391*
Total	**18,361,485**
By type of instrument	
Loans secured by mortgages	16,071,251
Loans secured by other real guarantees	235,260
Loans secured by other guarantees	2,314,575
Finance leases	138,248
Commercial loans	112,382
Securities acquired under repurchase agreements	9,714
Other financial assets	141,322
Impairment losses	(650,352)
Other measurement adjustments	(10,915)
Accrued interest	*29,433*
Commissions	*(60,739)*
Other measurement adjustments	*20,391*
	18,361,485

No breakdown by geographic area is presented due to the fact that practically all balances are in Spain and it would not provide any information significant to the understanding of these annual accounts.

"Loans and receivables – Customer loans" includes €3,102,678,000 at 31 December 2011 for unamortized amounts of loans securitized on or after 1 January 2004, which have not been derecognized as the risks and rewards associated with these assets have not been substantially transferred. By contrast, unamortized securitizations from before 1 January 2004 coming to €85,430,000 at 31 December 2011 were derecognized in assets in compliance with the first transitional additional provision of Circular 4/2004 (see note 29.4).

The carrying amount in the above table is the Bank's maximum exposure to credit risk in terms of the financial instruments it includes.

The average effective interest rate of the financial instruments classified in this item in 2011 was approximately 3.43%.

9.3. Debt securities

The breakdown of the financial assets included in this category at 31 December 2011, classified by type of counterparty and by type of instrument, is as follows:

(Thousand euro)	2011
By geographic area	
Spain	1,085,783
Gross total	**1,085,783**
Impairment losses	(2,855)
Net total	**1,082,928**
By counterparty categories:	
Other resident sectors	1,085,783
Gross total	**1,085,783**
Impairment losses	(2,855)
Net total	**1,082,928**
By type of instrument	
Other fixed-income securities	1,085,783
Gross total	**1,085,783**
Impairment losses	(2,855)
Net total	**1,082,928**

The carrying amount in the above table is the Bank's maximum exposure to credit risk in terms of the financial instruments it includes.

The average effective interest rate of the financial instruments classified in this item in 2011 was approximately 2.90%.

9.4. Assets past due and/or impaired

A breakdown of those financial assets classified as loans and considered to be impaired as a result of the credit risk at 31 December 2011, and those that, while not considered to be impaired, reflect an outstanding balance at those dates, are classified by counterparty and type of instrument, and based on the period of time elapsed between the due date of the unpaid amount and the oldest date of each transaction.

(Thousand euro)	Not Impaired	Impaired				
	To 3 months	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	Over 12 months	Total
By counterparty categories						
Other resident sectors	52,589	996,549	305,363	259,302	879,616	2,493,419
Other non-resident sectors	68	323	729	276	-	1,396
	52,657	**996,872**	**306,092**	**259,578**	**879,616**	**2,494,815**
By type of instrument						
Operations not secured by real property guarantee	26,459	140,416	18,621	16,100	119,941	321,537
With a mortgage guarantee						-
Finished home, habitual residence	8,100	233,034	89,554	77,764	281,256	689,708
Rural properties in operation, offices, commercial premises and industrial properties	3,203	89,908	33,976	18,101	82,152	227,340
Other finished homes	6,450	234,300	83,635	68,481	156,368	549,234
Land and other Real estate assets	8,224	299,214	80,306	79,132	233,396	700,272
Other	221	-	-	-	6,503	6,724
	52,657	**996,872**	**306,092**	**259,578**	**879,616**	**2,494,815**

At 31 December 2011 the amount of the assets for which the Entity had renegotiated conditions and have a doubtful status totals €281,784,000, those classified as sub-prime total €169,878,000 and those in a normal situation total €242,141,000.

9.5. Credit risk hedges

Below are changes during 2011 in impairment losses recorded for credit risk hedges in loans and receivables:

(Thousand euro)	2011			
	Losses estimated on an individual basis	Losses estimated on a collective basis	Fair value adjustment (*)	Total
Balance at 1 January 2011	458,583	103,324	201,247	763,154
Charge for the Year	882,776	-	-	882,776
Drawn down	(337,885)	-	-	(337,885)
Recoveries	(189,278)	(103,324)	-	(292,602)
Applications (Note 29.5)	(228,343)	-	-	(228,343)
Other movements	67,354	-	(201,247)	(133,893)
Balance at 31 December 2011	**653,207**	**-**	**-**	**653,207**

(*) This relates to the remainder of the fair value estimate of the loan portfolio at 1 July 2010 (date of the merger of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa).

The balance in "Other movements" in the specific hedge relates to the assignment of the fair value hedge totalling €60,558,000 and the rest basically relate to the reassignment of hedges from the heading "Other liability provisions" in the balance sheet (Note 18.2).

The balance in "Other movements" in fair value adjustments related to the assignment of that hedge as a specific hedge, as mentioned above, and the rest to the transfer to the headings "Shareholdings" in the amount of €118,545,000 (Note 13), "Available-for-sale non-current assets" in the amount of €5,507,000 (Note 12) and "Property, plant and equipment - investment properties" in the amount of €16,637,000 (Note 14).

The breakdown of impairment losses by the counterparties of the hedged instrument and the type of hedged instrument is as follows:

(Thousand euro)	2011
By counterparty categories:	
Other resident sectors	653,080
Other non-resident sectors	127
Total	**653,207**
By type of instrument	
Transactions secured by mortgages	495,477
Loans secured by other real property guarantees	3,170
Transactions secured by other guarantees	154,560
Total	**653,207**

In line with prudent valuation criteria, the Bank has classified assets in "Loans and receivables" as substandard risk amounting to €460,147,000 which have an associated provision of €43,369,000.

The breakdown of "Financial asset impairment losses (net) – Loans and receivables" in the income statement is as follows:

(Thousand euro)	2011
Allocations of loans	882,776
Availability of loans	(337,885)
Recovery of loans	(292,602)
Plus:	
Unserviced loans transferred to defaults (Note 29.5)	57,418
Less:	
Recovery of defaults (Note 29.5)	(23,491)
Total	**286,216**

9.6. Finance leases

The breakdown of finance leases included under "Loans and receivables" in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	2011
Outstanding capital	135,298
Residual value	2,950
Finance lease debt	**138,248**

10. Held-to-maturity investments

The breakdown of the financial assets included in this category at 31 December 2011, classified by type of counterparty and by type of instrument, is as follows:

(Thousand euro)	2011
By geographic area	
Spain	1,881,871
European Union countries	137,160
Other countries	14,745
Gross total	**2,033,776**
Impairment losses	-
Net total	**2,033,776**
By counterparty categories:	
Credit institutions	228,361
Resident Public Administrations	1,505,752
Non-resident public institutions	23,223
Other resident sectors	163,305
Other non-resident sectors	113,135
Gross total	**2,033,776**
Impairment losses	-
Net total	**2,033,776**
By type of instrument	
Spanish government debt	1,418,088
Treasury Bills	-
Government bonds and debentures	*1,418,088*
Debt with other Spanish public institutions	87,665
Other fixed-income securities	528,023
Gross total	**2,033,776**
Impairment losses	-
Net total	**2,033,776**

The average effective interest rate of the debt securities classified in this item in 2011 was approximately 2.66%.

11. Hedging derivatives (receivable and payable)

11.1. Fair value hedges

Below is the breakdown by acquisition market, type of product, counterparties and remaining term of the notional value of the hedging derivatives at fair value held by the Bank at 31 December 2011:

(Thousand euro)	2011			
Notional value	Interest rate risk	Shareholding risk	Goods risk	Total
Classification by contracting market				
Organised markets	-	-	-	-
Unorganised markets	3,990,291	564,516	1,271	4,556,078
Total	**3,990,291**	**564,516**	**1,271**	**4,556,078**
Classification by type of product				
Swaps	3,990,291	378,436	-	4,368,727
Options				
Purchased	-	186,080	1,271	187,351
Sold	-	-	-	-
Total	**3,990,291**	**564,516**	**1,271**	**4,556,078**
Classification by counterparty				
Credit institutions Residents	1,688,706	255,780	1,271	1,945,757
Credit institutions Non-residents	1,799,615	237,736	-	2,037,351
Other resident sectors	260,000	-	-	260,000
Other non-resident sectors	241,970	71,000	-	312,970
Total	**3,990,291**	**564,516**	**1,271**	**4,556,078**

The notional and/or contractual amount of the agreements does not reflect the actual risk assumed by the Bank as the net position in these financial instruments is their netting and/or combination.

Below is the breakdown by acquisition market and type of product of the fair value of hedging derivatives at fair value held by the Bank at 31 December 2011:

(Thousand euro)	2011			
Fair value	Interest rate risk	Shareholding risk	Goods risk	Total
Positive values (receivables)				
Organised markets	-	-	-	-
Unorganised markets	509,464	6,442	76	515,982
Total	**509,464**	**6,442**	**76**	**515,982**
Negative values (payables)				
Organised markets	-	-	-	-
Unorganised markets	50,149	5,418	-	55,567
Total	**50,149**	**5,418**	**-**	**55,567**

11.2. Cash flow hedges

Below is the breakdown by acquisition market, type of product, counterparties and remaining term of the notional value of the cash flow hedging financial derivatives held by the Bank at 31 December 2011:

(Thousand euro)	2011	
Notional value	Exchange risk	Total
Classification by contracting market		
Unorganised markets	11,168	11,168
Total	**11,168**	**11,168**
Classification by type of product		
Options		
Purchased	5,584	5,584
Sold	5,584	5,584
Total	**11,168**	**11,168**
Classification by counterparty		
Credit institutions Residents	11,168	11,168
Total	**11,168**	**11,168**

The notional and/or contractual amount of the agreements does not reflect the actual risk assumed by the Bank as the net position in these financial instruments is their netting and/or combination.

Below is the breakdown by acquisition market and type of product of the fair value of the cash flow hedging financial derivatives held by the Bank at 31 December 2011:

(Thousand euro)	2011	
Fair value	Exchange risk	Total

Positive values (receivables)		
Unorganised markets	437	437
Negative values (payables)		
Unorganised markets	433	433

12. Non-current assets for sale

This item in the balance sheets lists foreclosed assets and debt payment in kind for loans which are not included in property, plant and equipment for own use, investment property or inventory.

At 31 December 2011 the balances under this heading in the balance sheet and movements during the year are as follows:

(Thousand euro)	2011
Balance at 1 January 2011	477,000
Additions	250,997
Disposals	(35,818)
Transfers	(47,170)
Other movements	(25,849)
Balance at the end of the year	**619,160**
Impairment funds	(74,078)
Net balance at year end	**545,082**

The transfers from this heading basically relate to rented properties that are transferred to the heading "Property investments" (Note 14).

In addition, the item "Other movements" relates to the reclassification as a cost reduction of an initial 10% of the impairment of old foreclosed assets that were recognised as impairment funds.

Changes in the impairment fund for foreclosed assets in 2011 have been as follows:

(Thousand euro)	2011		
	Impairment losses	Fair value adjustment (*)	Total
Balance at 1 January 2011	64,284	35,483	99,767
Allocations (Note 42)	1,364	-	1,364
Recoveries (Note 42)	(6,436)	-	(6,436)
Other movements	14,866	(35,483)	(20,617)
Balance at 31 December 2011	**74,078**	**-**	**74,078**

(*) This relates to the remainder of the fair value estimate of the loan portfolio at 1 July 2010 (date of the merger of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa).

The item "Other movements" in impairment losses included, the assignment of the fair value hedge in this heading totalling €35,483,000, the assignment of the fair value hedge transferred from the heading loans in the amount of €5,507,000 (Note 9.5), the reclassification as a cost reduction of the initial impairment of old foreclosed assets explained above totalling € -25,849,000.

Below is the breakdown of foreclosed assets at 31 December 2011 by age:

(Thousand euro)	2011
Up to 1 year	229,812
From 1 to 5 years	387,951
More than 5 years	1,397
Total	**619,160**

The sector distribution of foreclosed assets at 31 December 2011 is as follows:

(Thousand euro)	2011
Residential	393,508
Industrial	225,652
Total	**619,160**

The comparison between net carrying value and fair value at 31 December 2011 is as follows:

(Thousand euro)	2011	
	Carrying amount (net)	Fair value
Residential	347,729	473,809
Industrial	197,353	282,266
Total	**545,082**	**756,075**

The fair value of non-current assets held for sale has been determined using the criteria set out in note 23.2.

Details of the assets foreclosed by the Bank at 31 December 2011, based on their nature (a), as required by the Bank of Spain in Circular 5/2011 (30 November) are as follows (Note 1.3):

(Thousand euro)	2011	
	Carrying amount (d)	Of which: Measurement adjustments for asset impairment
Real estate assets from financing provided to construction and real estate development companies	**523,647**	**(127,301)**
Finished buildings	189,687	(41,802)
Housing	*126,865*	*(33,275)*
Other	*62,822*	*(8,527)*
Buildings under construction	21,515	(3,086)
Housing	*21,515*	*(3,086)*
Other	-	-
Land	312,444	(82,413)
Developed land	*277,827*	*(81,240)*
Other land	*34,617*	*(1,173)*
Real estate assets from mortgage financing to acquire homes	**254,474**	**(28,837)**
Other real estate assets received as payment of debts (b)	**67,852**	**(8,317)**
Capital instruments, shareholdings and financing for the companies that hold those assets (c)	**-**	**-**
Total	**845,972**	**(164,455)**

(a) This includes assets that were foreclosed, acquired or exchanged for debt payments deriving from financing granted by the Bank for its businesses in Spain, as well as shareholdings and financing of the companies holding those assets.

(b) This includes the real estate assets that do not originate from the financing of construction and real estate developments, regardless of the financial sector to which the company or business pertains, or household mortgage financing to acquire homes.

(c) All assets of this nature are recorded, including equity instruments, shares and the financing of entities holding the real estate assets mentioned above, as well as the equity instruments and shares in construction or real estate companies received as payment of debt.

(d) Amount for which the assets are recognised in the balance sheet after deducting any amounts recorded as a hedge.

13. Shareholdings

13.1. Shareholdings - Group companies

The breakdown of the shareholdings held by the Bank in Group companies at 31 December 2011 is set out below:

(Thousand euro)	2011
Unnim Gesfons, SGIIC, SA	7,642
Caixa Terrassa RF Mixta SICAV	235,852
Caixa Terrassa Vida 1, SICAV	77,090
Arrels ct Finsol, SA	216,766
Arrels ct Patrimoni i Projectes, SA	109,000
Catalònia Promodis 4, SA	21,769
Arrels ct Promou, S.A	82,000
Unim Serveis de dependència, S.A	600
Caixa Terrassa Societat de Participacions Preferents, SAU	1,261
Caixa Terrassa Borsa SICAV	87,487
Caixa Terrassa Renda Fixa, SICAV	154,644
Arrels ct lloguer, S.A	12,000
Inverpro desenvolupament, S.L	33,029
Itinerari 2002, S.L	128
Caixa de Manlleu Preferents, S.A	61
CaixaSabadell Tinelia, S.L.	42,192
Promotora del Valles, S.L.	105,459
CaixaSabadell Preferents S.A.	419
Arrahona Ambit S.L	53,779
Arrahona Nexus, S.L.	158,751
Arrahona Immo, S.L.	245,003
Arrahona Rent, S.L.	15,000
Servicios y soluciones de gestión para corporaciones, empresas y particulares, S.L	153
UnnimCaixa Operador de Banca d'Assegurances Vinculat, S.L	70
Total shareholdings in group companies	**1,660,155**
Impairment losses	(911,068)
Total	**749,087**

The main changes that took place in 2011 with respect to shareholdings in Group companies were as follows:

- On 23 June 2011 Arrahona Ambit, S.L increased share capital by €30,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by €24,125,000 to cover negative reserves from prior years and its new share capital is €30,875,000.
- On 23 June 2011 Arrahona Immo, S.L increased share capital by €230,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by €31,223,000 to cover negative reserves from prior years and its new share capital is €213,780,000.
- On 23 June 2011 Arrahona Nexus, S.L increased share capital by €134,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by €52,861,000 to cover negative reserves from prior years and its new share capital is €106,142,000.
- On 23 June 2011 Arrahona Rent, S.L reduced share capital by €616,000 to cover negative reserves from prior years and its new share capital is €14,383,000.
- On 23 June 2011 Arrels CT Finsol, S.A increased share capital by €130,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by €25,427,000 to cover negative reserves from prior years and its new share capital is €165,274,000.
- On 23 June 2011 Arrels CT Patrimoni i Projectes, S.A increased share capital by €75,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by €45,110,000 to cover negative reserves from prior years and its new share capital is €63,890,000.
- On 29 June 2011 Arrels CT Promou, S.A increased share capital by €37,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by €36,444,000 to cover negative reserves from prior years and its new share capital is €45,556,000.
- On 23 June 2011 Catalonia Promodis 4, S.A increased share capital by €6,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by €9,297,000 to cover negative reserves from prior years and its new share capital is €8,253,000.
- On 29 June 2011 Inverpro Desenvolupament, S.L increased share capital by €20,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by € 15,336,000 to cover negative reserves from prior years and its new share capital is € 17,694,000.
- On 29 June 2011 Promotora del Vallés, S.L reduced share capital by € 75,149,000 to cover negative reserves from prior years and its new share capital is € 29,851,000.
- On 23 June 2011 Arrels Ct Lloguer, S.A increased share capital by € 8,000,000, which was fully subscribed by the Bank. On the same date this company reduced share capital by € 5,486,000 to cover negative reserves from prior years and its new share is € 7,713,000.
- On 20 June 2011 the 0.01% stake in Caixa Terrassa Borsa, SICAV, S.,A was sold. Its book cost was €6,029,000, and a profit of €319,000 was obtained (Note 41).
- On 20 June 2011 the 0.02% stake in Caixa Terrassa RF Mixta, SICAV, S.A was sold. Its book cost was €2,993,000, and a profit of €109,000 was obtained (Note 41).

Appendix I to these Notes contains significant information on these companies.

13.2.Shareholdings - Jointly controlled companies

The breakdown of the shareholdings held by the Bank in jointly-controlled companies at 31 December 2011 is set out below:

(Thousand euro)	2011
Unnim Vida, SAU de Seguros y Reaseguros	80,127
CaixaSabadell Vida, Societat Anónima d'Assegurances i Reassegurances	62,076

Activa ct badebaño, SL	1,300
Asociación Técnica de Cajas de Ahorro, A.I.E.	2,146
Total shareholdings in jointly-controlled companies	**145,649**
Impairment losses	(820)
Total	**144,829**

The main changes that took place in 2011 with respect to shareholdings in jointly-controlled companies were as follows:

- On 10 June 2011 the company ATCA Nuevas Estratégicas Tecnológicas, S.L. was liquidated. Its book cost was € 143,000 and a loss of € 125,000 was recorded (Note 41).
- On 1 August 2011 the company Almenara capital, S.R.L was liquidated. Its book cost was € 7,784,000 and a loss of € 1,685,000 was recorded (Note 41).
- The company CaixaSabadell Vida has been reclassified as a jointly-controlled company (in 2010 it was considered to be an associate), as a result of the agreements concluded with Aegon, referred to in Note 13.3 below.

Appendix II to these Notes contains significant information on these companies.

13.3. Shareholdings - Associates

The breakdown of the shareholdings held by the Bank in associates companies at 31 December 2011 is set out below:

(Thousand euro)	2011
ACA, S.A	8,236
Unnim Protecció, SA de Seguros y Reaseguros	10,085
Selectiva Capital, SICAV, S.A.	3,069
Total shareholdings in associates	**21,390**
Impairment losses	(3,307)
Total	**18,083**

The main changes that took place in 2011 with respect to shareholdings in associated companies were as follows:

- On 22 November 2011, Unnim Protecció, S.A de Seguros y Reaseguros, as the acquiring company merged with CaixaSabadell Compañía de Seguros Generales, as the target company.

Appendix III to these notes contains significant disclosures about associates.

The main operations carried out with respect to the Unnim Banc's insurance business is as follows:

- On 16 November 2010, Unnim and Zurich concluded an agreement covering the sale by Zurich to Unnim of 50% of Caixa Sabadell Vida and 50% of Sabadell Seguros Generales (resulting from Zurich exercising the put option due to the merger or similar transactions included in the sale agreement concluded in 2008 between Caixa Sabadell and Zurich), ending the alliance between Caixa Sabadell and Zurich that was agreed in 2008. The agreement, which is valued at €285,000,000 was subject to certain conditions precedent. On 28 February 2011 the agreements in the aforementioned terms were executed in a public document.

- Also on 16 November 2010, Unnim and Aegon signed an agreement for the sale to Aegon of 50% of Caixa Sabadell Vida and exclusive distribution rights for life, accident and health insurance and pension plans in Caixa Sabadell and Caixa Manlleu branches. The agreement was valued at between €128,000,000 and €268,000,000, depending on the results of a 5-year business plan. The contracts were subject to several conditions precedent, fundamentally relating to the legal authorisations required under the agreements. On 30 June 2011 the purchase agreement for a final amount of between €133,822,000 and €273,822,000 were executed in a public document. These amounts depend on the results of a 5-year business plan. This transaction, once the provision created at the date of the merger of the savings banks Manlleu, Sabadell and Terrassa (Note 18.2) was used, gave rise to a profit in the income statement totalling €26,697,000 relating to the Caixa Manlleu office network and the health care business (Note 41). After the aforementioned transaction, the 50% stake that the Bank held in Caixa Sabadell Vida is considered to be a jointly-controlled company since joint control is exercised, while at 31 December 2010 it was considered to be an associated company.

- On 20 December 2010, Unnim and the company Reale signed an agreement for the sale to Reale of 50% of Caixa Sabadell Seguros Generales and exclusive distribution rights for all other general insurance products in Caixa Sabadell and Caixa Manlleu branches. The agreement was valued at between €25,750,000 and €72,470,000, depending on the results of a 10-year business plan. The contracts were subject to several conditions precedent, fundamentally relating to the legal authorisations required under the agreements. At 31 March 2011 the agreements in the aforementioned terms were executed in a public document. Once the provision created at the date of the merger of the Savings Banks Manlleu, Sabadell, Terrassa (Note 18.2) was used, this transaction gave rise to a profit in the income statement totalling €7,250,000 relating to the Caixa Manlleu office network (Note 41).

- As part of the agreements reached with Aegon and Reale in 2010 described above, there has been a review of the shareholders' agreements signed in 2008, under which these companies and the Group have, in certain circumstances, purchase and sale options for the holdings in Caixa Sabadell Vida, Unnim Vids (formerly Caixa Terrassa Vida), Caixa Sabadell Seguros Generales and Unnim Protecció (formerly Caixa Terrassa Previsión) sold to the aforementioned companies.

- As has been mentioned in Note 1.2, the segregation of its financial activity to the Bank caused the transfer of ownership of 50% of the shares in the companies Unnim Vida, Caixasabadell Vida, Unnim Protecció and Caixasabadell Seguros Generales.

- The transfer of the shares in Unnim Vida and Caixasabadell Vida to the Bank, in the opinion of Aegon that is not shared by Unnim Banc, could be considered to be a "change in control", giving rise to a put option for Aegon, which expired at 31 December 2011.

- The resolve this discrepancy, on 25 November 2011 the Bank and Aegon reached an agreement that was executed in a public document on 13 December 2011, under which the expiration of this theoretical put was extended to 30 June 2012, and Aegon delaying the payment of the Initial Closing Price on a date no later than 30 June 2012.

- Similarly, the transfer of the shares in Unnim Protecció and Caixasabadell Seguros Generales to the Bank, in the opinion of Reale that is also not shared by the Bank, could be considered to be a "change in control", giving rise to a put option for Reale, which expired at 31 December 2011.

- To resolve this discrepancy, on 20 December 2011 the Bank and Reale reached an agreement that was executed in a public document on 24 January 2012, under which Reale waived this theoretical put and committed to not exercising any option whatsoever until 31 March 2012 and a new put option was granted to Reale to be exercised between 1 April 2012 and 30 June 2012. Both parties agreed to calculate the value of the shares Reale held in Unnim Protecció (which in November 2011 took over Caixasabadell Seguros Generales), in the event that Reale exercises the put during that period, and Reale waived any subsequent put option deriving from the hypothetical sale of the Bank to another entity.
- The Bank has measured these options and has concluded that at 31 December 2011 their impact on the income statement is not significant.

13.4. Impairment losses

Below is a summary of the changes that have affected impairment losses of these items during 2011:

(Thousand euro)	2011			
	Group companies	Jointly-controlled companies	Associated companies	Fair value adjustment (*)
Balance at 1 January 2011	459,971	1,977	1,327	42,545
Charge for the Year	313,588	201	2,359	-
Recoveries	(15,123)	(1,358)	(379)	-
Use	(45,980)			
Other movements	198,612	-	-	(42,545)
Balance at year-end	**911,068**	**820**	**3,307**	**-**

(*) This relates to the remainder of the fair value estimate of the Group subsidiaries' foreclosed assets at 1 July 2010 (date of the merger of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa).

The impairment of the Group companies includes an impairment totalling €563,082,000, relating to the allocations that are necessary in accordance with Bank of Spain Circular 3/2010 on foreclosed assets or property received as payment by Unnim Bank's subsidiaries.

The balance "Other movements" in Group companies related to the assignment of fair value hedges totalling €42,545,000, the transfer of the fair value hedge from the heading "Loans" totalling €118,545,000 (Note 9.5) and the transfer of hedges for properties foreclosed by Group companies totalling €37,522,000 from the heading "Other provisions" to the heading "Group shareholdings" (Note 18.2).

The balance under "Write-offs" related to the definitive impairment of part of the value of Group real estate companies totalling €45,980,000 and it has been considered to be irreversible and eliminated from the balance sheet.

14. Property, plant and equipment

The changes in this item of the balance sheet during the accounting period were as follows:

(Thousand euro)	2011		
	For own use	Investment properties	Total
Cost			
Balances at 1 January 2011	819,525	385,403	1,204,928
Additions	4,756	5,333	10,089
Eliminations due to alienations or other methods	(8,887)	(37,517)	(46,404)
Transfers	(67,384)	135,462	68,078
Other movements	-	(27,229)	(27,229)
Balances at 31 December 2011	**748,010**	**461,452**	**1,209,462**
Accumulated depreciation			
Balances at 1 January 2011	(236,594)	(11,821)	(248,415)
Additions	(21,947)	(3,963)	(25,910)
Eliminations due to alienations or other methods	5,780	3,270	9,050
Transfers	11,196	(11,196)	-
Other movements			-
Balances at 31 December 2011	**(241,565)**	**(23,710)**	**(265,275)**
Impairment losses			
At 1 January 2011	**(4,306)**	**(62,507)**	**(66,813)**
At 31 December 2011	**(13,274)**	**(120,201)**	**(133,475)**
Property, plant and equipment net			
Balances at 1 January 2011	**578,625**	**311,075**	**889,700**
Balance at 31 December 2011	**493,171**	**317,541**	**810,712**

The item "Other movements" relates to the reclassification as a cost reduction of an initial 10% of the impairment of old foreclosed assets that were recognised as impairment funds.

The item "Transfers" for own use relates to basically to transfers of the offices the Bank closed during the year to investment properties. Furthermore, the rest of the transfers of investment properties relate to the transfer of assets being rented from the heading "Non-current assets for sale" (Note 12) and "Inventories" (Note 16).

At 31 December 2011 fully amortised intangible assets totalled €124,467,000.

14.1. Property, plant and equipment for own use

The breakdown by type of the property, plant and equipment for own use in this item in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	2011			
	Cost	Accumulated depreciation	Impairment losses	Total
Computer equipment and installations	74,870	(67,134)	-	7,736
Furniture, vehicles and other installations	186,667	(139,567)	-	47,100
Buildings	485,888	(34,864)	(13,274)	437,750
Construction in progress	585	-	-	585
Balance at the end of the year	**748,010**	**(241,565)**	**(13,274)**	**493,171**

As part of the net balance at 31 December 2011 shown in the above table, €36,134,000 are property, plant and equipment held by the Bank under finance leases.

The fair value of the property, plant and equipment for own use has been calculated in accordance with the criteria set out in Note 23.2.

14.2. Investment properties

In the 2011 accounting period, rental income from investment property owned by the Group amounted to €2,248,000 (Note 37) and operating costs for all items related to these investments came to €139,000 (Note 38).

The additions during 2011 are mainly housing and parking space foreclosures that the Bank has assigned to letting.

The fair value of the investment properties has been calculated in accordance with the criteria set out in Note 23.2.

14.3. Impairment losses

Below is a summary of the changes that have affected impairment losses of these items during 2011:

(Thousand euro)	2011			
	For own use	Investment properties	Fair value adjustments (*)	Total
Balance at 1 January 2011	4,306	47,502	15,005	66,813
Charge for the Year	8,977	35,407	-	44,384
Recoveries	(9)	(13,561)	-	(13,570)
Other movements	-	50,853	(15,005)	35,848
Balance at year-end	**13,274**	**120,201**	**-**	**133,475**

(*) This relates to the remainder of the fair value estimate of the foreclosed asset portfolio classified as investment property at 1 July 2010 (date of the merger of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa).

The balance "Other movements" in investment properties includes the assignment of fair value hedges totalling €15,005,000, the transfer of the fair value hedge from the heading "Loans" totalling €16,637,000 (Note 9.5) and the transfer of fair value hedges from the heading "Inventories in the amount of €46,440,000 (Note 16). The rest of the item "Other movements" related to the reclassification as a cost reduction of an initial 10% of the impairment of old foreclosed assets that were recognised as impairment funds.

15. Intangible assets

The breakdown of this item in the balance sheets at 31 December 2011 is as follows:

(Thousand euro)	2011
Internally developed	6,860
Other	121
Gross total	6,981
Accumulated depreciation	(121)
Net total	**6,860**

The useful life of intangible assets developed internally is not expected to exceed 10 years. All other intangible assets have been fully amortised.

Changes (gross) in this item in the balance sheet from 1 January 2011 to 31 December 2011 have been as follows:

(Thousand euro)	2011
Balance at 1 January 2011	47,021
Additions	4,069
Derecognition due to sales or other means	(44,109)
Gross total	**6,981**

In 2011 all of the computer programs for the external platforms were that were fully amortized were derecognised, in the amount of €43,645,000.

At 31 December 2011 fully amortised intangible assets totalled €121,000.

During 2011 €1,096,000 in intangible asset amortisation has been recognized.

16. Other assets

The breakdown of this item in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	2011
Prepayments and accrued income	**7,331**
Deferred interest expense and interest on debt securities issued	154
Unaccrued expenses paid	1,088
Accrued interest not yet due	6,089
Transactions in progress	**161,018**
Inventories	**74,548**
Amortized cost	89,885
Impairment losses	(15,337)
Total	**242,897**

The inventories balance basically relates to industrial or residential land being developed that the Bank has received as payment for loans.

The fair value of inventory has been calculated using the criteria set out in note 23.2.

At 31 December 2011 the balances under inventories and movements during the year are as follows:

(Thousand euro)	2011
Balance at 1 January 2011	122,287
Additions	2,396
Disposals	(5,905)
Transfers	(20,908)
Other movements	(7,985)
Balance at the end of the year	89,885
Impairment funds	(15,337)
Net balance at year end	**74,548**

The item "Other movements" relates to the reclassification as a cost reduction of an initial 10% of the impairment of old foreclosed assets that were recognised as impairment funds.

The item "Transfers" relates basically to the transfers to the heading "Investment properties" (Note 14).

Movements that have affected impairment losses on inventories in 2011 are as follows

(Thousand euro)	2011		
	Impairment losses	Fair value adjustment (*)	Total
Balance at 1 January 2011	26,240	53,133	79,373
Charge for the Year	7,130	-	7,130
Recoveries	(16,593)	-	(16,593)
Other movements	(1,440)	(53,133)	(54,573)
	-	-	-
Balance at 31 December 2011	**15,337**	**-**	**15,337**

(*) This relates to the remainder of the fair value estimate of the foreclosed asset portfolio classified as inventories at 1 July 2010 (date of the merger of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa).

The heading "Other movements" in Inventories included, among other things, the assignment of the fair value hedge totalling €6,693,000 and the reclassification of the initial 10% of the impairment of old foreclosed assets as a reduction in cost, which had been recorded as impairment funds totalling € -7,985,000. The balance under "Other movements" in fair value adjustments relates to the aforementioned assignment of €46,440,000 to the heading "Property, plant and equipment - Investment properties" (Note 14.3).

17. Financial liabilities at amortized cost

An analysis of the balances of this caption in the balance sheet, based on the nature of the financial instrument, is as follows:

(Thousand euro)	2011
By class of instrument	
Central bank deposits	1,990,000
Bank deposits	1,072,344
Customer deposits	21,296,552
Marketable debt securities	1,644,480
Subordinated liabilities	1,000,135
Other financial liabilities	227,077
Measurement adjustments	570,557
Total	**27,801,145**

17.1. Central bank deposits

The breakdown of this item in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	2011
On demand balances at the Bank of Spain	1,990,000
Measurement adjustments	1,113
Total	**1,991,113**

The amount in this item corresponds to deposits from the Bank of Spain secured by pledging of financial instruments.

The average effective interest rate on these financial instruments in 2011 was approximately 1.19%.

17.2. Bank deposits

The breakdown by type of transaction of this item in the balance sheet is as follows:

(Thousand euro)	2011
On demand	
Other accounts	111,006
Term deposits subject to prior notice	
Term deposits	827,958
Temporary assignment of assets	133,380
Measurement adjustments	1,914
Total	**1,074,258**

The average effective interest rate on these financial instruments in 2011 was approximately 1.51%.

17.3. Customer deposits

The breakdown by type of financial liability and transaction counterparties of this item in the balance sheets at 31 December 2011 is as follows:

(Thousand euro)	2011
By nature	
Current accounts	1,495,127
Savings deposits	1,657,745
Fixed- term deposits	15,704,817
Temporary assignment of assets	2,424,789
Other	14,074
Total	**21,296,552**
Measurement adjustments	655,914
Total customer deposits	**21,952,466**
By counterparty	
Resident Public Administrations	204,936
Other resident sectors	21,025,188
Other non-resident sectors	66,428
Total	**21,296,552**
Measurement adjustments	655,914
Total customer deposits	**21,952,466**

There is no breakdown by geographical area as virtually all the balances are in the geographical area of Spain and it would not provide meaningful information for the understanding of these financial statements.

The valuation adjustments basically include unmatured accrued interest and fair value corrections for micro-hedging transactions.

The average effective interest rate on these financial instruments in 2011 was approximately 2.72%.

At 31 December 2011, "Customer deposits – Term deposits" included €776,286,000 that is basically the balancing entry for the securitizations subsequent to 1 January 2004 which have not been derecognized in the balance sheet as the risk has not been substantially transferred (see note 29.4). It includes €2,347,470,000 in asset-backed bonds which the Bank has in the portfolio for these issues and which are recognized as a reduction in "Customer deposits – Term deposits".

This item includes issues of mortgage covered bonds and treasury bonds which had the following characteristics at 31 December 2011:

(Thousand euro)	Issue year	Amount	Maturity date	Term	Exchange interest
AyT Cédulas Cajas III	2002	300,000	26/06/2012	10 years	5.26%
AyT Cédulas Caixes III, F.T.A.	2002	150,000	26/06/2012	10 years	5.26%
AyT 10 Financiación Inver., F.T.A.	2002	10,000	9/9/2014	12 years	Eur 12m+0,12%
AYT Cédulas Cajas III	2002	40,000	26/06/2012	10 years	5.26%
AyT Cédulas Cajas IV	2003	90,000	11/03/2013	10 years	4.01%
Cédulas Cajas TDA2	2003	230,000	22/11/2013	10 years	4.51%
Cédulas Cajas V Tramo A	2003	72,581	02/12/2013	10 years	4.51%
Cédulas Cajas V Tramo B	2003	152,419	02/12/2018	15 years	4.76%
AyT Cédulas Cajas IV, F.T.A.	2003	125,000	11/03/2013	10 years	4.01%
AyT Cédulas Cajas V, F.T.A Tramo A	2003	48,390	04/12/2013	10 years	4.51%
AyT Cédulas Cajas V, F.T.A Tramo B	2003	101,610	01/12/2018	15 years	4.76%
AyT Cédulas Cajas IV	2003	50,000	11/03/2013	10 years	4.01%
Cédulas Cajas TDA3	2004	125,000	01/03/2016	12 years	4.39%
AyT Cédulas Cajas VI, F.T.A.	2004	150,000	05/04/2014	10 years	4.01%
AyT Cédulas Cajas VIII, F.T.A Tramo A	2004	73,170	16/11/2014	10 years	4.01%
AyT Cédulas Cajas VIII, F.T.A. Tranche B	2004	26,830	16/11/2019	15 years	4.26%
AyT Cédulas Cajas VI	2004	60,000	05/04/2014	10 years	4.01%
AyT Cédulas Cajas VIII Tramo A	2004	36,585	18/11/2014	10 years	4.01%
AyT Cédulas Cajas VIII Tranche B	2004	13,415	18/11/2019	15 years	4.26%
Cédulas IM Caixa Terrassa 4	2005	150,000	09/03/2015	10 years	3.76%
AyT Cédulas Cajas IX Tramo A	2005	106,250	31/03/2015	10 years	Eur 3m+ 0.07902%
AyT Cédulas Cajas IX Tramo B	2005	43,750	31/03/2020	15 years	4.00%
Cédulas Cajas TDA6	2005	200,000	21/05/2025	20 years	3.88%
Cédulas IM Caixa Terrassa 5	2005	100,000	13/06/2020	15 years	3.51%
Cédulas Cajas TDA7	2005	100,000	16/06/2017	12 years	3.50%
AyT Cédulas Cajas X Tramo A	2005	48,718	28/06/2015	10 years	0.79%
AyT Cédulas Cajas X Tramo B	2005	51,282	28/06/2025	20 years	3.75%
AyT Cédulas Cajas IX, F.T.A Tramo A	2005	177,080	29/03/2015	10 years	3.75%
AyT Cédulas Cajas IX, F.T.A TramoB	2005	72,920	29/03/2020	15 years	4.00%
AyT Cédulas Cajas XI, F.T.A. Series I	2005	66,670	12/12/2012	7 years	Eur 3m+0,06%
AyT Cédulas Cajas XI, F.T.A. Series II	2005	66,670	12/03/2016	11 years	3.50%
AyT Cédulas Cajas XI, F.T.A. Series III	2005	46,670	12/12/2022	17 years	3.75%
AyT Cédulas Cajas IX Tramo A	2005	70,833	31/03/2015	10 years	3.75%
AyT Cédulas Cajas IX Tramo B	2005	29,167	31/03/2020	15 years	4.00%
AyT Cédulas Cajas Global IX.S1	2005	37,037	12/12/2012	7 years	1.09%
AyT Cédulas Cajas Global IX.S2	2005	37,037	12/03/2016	10 years	3.50%
AyT Cédulas Cajas Global IX.S3	2005	25,926	12/12/2022	17 years	3.75%
Cédulas IM Caixa Terrassa 7	2006	100,000	29/03/2021	15 years	4.01%
CDA Bond programme	2006	250,000	08/04/2031	25 years	4.25%
CDA Bond programme	2006	200,000	08/04/2021	15 years	4.13%
AyT Financiación Inversiones III, BEI	2006	20,000	20/02/2015	9 years	3.68%
AyT Cédulas Cajas Global Serie IV	2006	100,000	20/02/2018	12 years	Eur 3m+0,12%
AyT Cédulas Cajas Global FTA-expansion of series II	2006	225,000	12/03/2016	10 years	3.50%
Cédulas TDA A4, F.T.A	2006	100,000	10/04/2021	15 years	4.13%
Cédulas TDA A1, F.T.A	2006	100,000	08/04/2016	10 years	Eur 3m+0,06%
AyT Cédulas Cajas Global Serie VII	2006	100,000	24/05/2017	11 years	Eur 3m+0,09%
AyT Cédulas Cajas Global Serie VIII	2006	125,000	14/06/2018	12 years	4.25%
AyT Cédulas Cajas Global FTA-expansion of series I	2006	125,000	12/12/2012	6 years	Eur 3m+0,06%
Cédulas TDA A3, F.T.A	2006	150,000	23/10/2018	12 years	4.00%

(Thousand euro)	Issue year	Amount	Maturity date	Term	Exchange interest
AyT Cédulas Cajas Global Serie X	2006	100,000	23/10/2023	17 years	4.25%
AyT Cédulas Cajas Global Serie IX	2006	75,000	23/10/2013	7 years	3.75%
AyT Cédulas Cajas Global Serie XI.	2006	50,000	18/12/2016	10 years	4.01%
CDA Bond programme	2007	150,000	08/04/2031	24 years	4.25%
Cédulas TDA A6, F.T.A	2007	100,000	10/04/2031	24 years	4.25%
AyT Cédulas Cajas Global Serie XIII	2007	100,000	23/05/2027	20 years	4.76%
AyT Cédulas Cajas Global Serie XIV	2007	100,000	22/05/2019	12 years	Eur 3m+0,09%
Cédulas Cajas Global serie 12	2007	50,000	19/03/2017	10 years	4.00%
Cédulas TDA Serie A1	2007	60,000	08/04/2016	9 years	Eur 3m+0,06%
AyT Cédulas Cajas XX	2008	120,000	24/11/2015	7 years	1.93%
AyT Cédulas Cajas Global Serie XX	2008	100,000	24/11/2015	7 years	Eur 3m+1,20%
Cédulas Cajas TDA15	2009	200,000	01/06/2013	4 years	3.25%
AyT Cédulas Cajas Global Serie XXII	2009	50,000	15/02/2012	3 years	3.50%
AyT Cédulas Cajas Global Serie XXIII	2009	200,000	15/06/2016	7 years	4.76%
1st issue of Unnim bonds	2011	500,000	21/07/2014	3 years	4.69%
Total mortgage bonds		**6,835,010**			

On 21 July 2011 mortgage bond was issued in the amount of €500,000,000 (1st issue of Unnim Mortgage bonds) which at 31 December 2011 had been wholly acquired by Unnim.

In 2011 the following bond certificate issues matured:

(Thousand euro)	Issue year	Amount	Maturity date
AyT Cédulas Cajas, F.T.A. (CH Única)	2001	150,230	18/04/2011
AyT Cédulas Cajas Global FTA-ampliación S.V	2006	150,000	12/03/2011
AyT Cédulas Cajas Global Serie XI.	2006	50,000	12/03/2011
AyT Cédulas Cajas Global Serie XXI	2008	220,000	29/12/2011
Total mortgage bonds matured		**570,230**	

In addition, On 29 October 2011 the last treasury bond, the AYT Ceami FTa, for €100,000,000, was cancelled.

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17.4. Marketable debt securities

The breakdown of this item in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	Issue year	Amount	Maturity date	Term	Exchange interest
1st Issue of Ordinary Bonds Backed by C.Terrassa	2009	150,000	05/06/2012	3 years	1.77%
2nd Issue of Ordinary Bonds Backed by C.Terrassa	2009	150,000	08/06/2012	3 years	3.01%
3rd Issue of Ordinary Bonds Backed by C.Terrassa	2009	150,000	26/11/2014	5 years	3.25%
4th Issue of Ordinary Bonds Backed by C.Terrassa	2009	150,000	11/12/2014	5 years	3.10%
Ordinary Bonds Backed by C. Sabadell June 2009	2009	100,000	04/06/2012	3 years	3.00%
4th Issue of Ordinary Bonds Backed by Caixa Sabadell	2009	100,000	23/06/2012	3 years	3.13%
Ordinary Bonds Backed by C. Sabadell July 2009	2009	120,000	03/07/2012	3 years	Eur 6m+0,68%
Ordinary Bonds Backed by C. Sabadell November 2009	2009	120,000	13/11/2014	5 years	3.24%
2nd Issue of Ordinary Bonds Backed by C.Sabadell Nov 2009	2009	60,000	27/11/2014	5 years	3.11%
Ordinary Bonds Backed by Caixa Sabadell Dec 2009	2009	125,000	10/12/2014	5 years	3.19%
Total backed bonds (*)		1,225,000			
1st Issue of Ordinary Bonds CaixaTerrassa	2007	30,000	12/03/2022	15 years	1.5% per year + coupon referenced to CPI to maturity
2nd Issue of Ordinary Bonds CaixaTerrassa	2007	150,000	27/06/2017	10 years	Eur 3 m + 0.31%
1st Issue of Ordinary Bonds CaixaTerrassa	2007	150,000	25/07/2012	5 years	Eur 3 m + 0.20%
BBVA Bond May 2021	2006	100,000	30/05/2021	15 years	Eur 3m-0.50%
Total ordinary bonds		**430,000**			
Measurement adjustments		(12,142)			
Treasury shares		(10,520)			
Total debits represented by marketable securities		**1,632,338**			

(*) These issues were made under Royal Decree-Law 7/2008 of 13 October and are therefore backed by the Spanish government.

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In 2011 the following bond issues matured:

(Thousand euro)	Issue year	Amount	Maturity date
Ordinary Bonds Backed by C. Sabadell May 2009	2009	45,000	12/05/2011
2nd Issue of Ordinary Bonds Backed by C. Sabadell May 2009	2009	100,000	25/05/2011
Total matured bonds		**145,000**	

The average effective interest rate for these instruments in this period was approximately 3.34%.

17.5. Subordinated liabilities

The breakdown of this item in the balance sheets at 31 December 2011 is as follows:

(Thousand euro)	Maturity date	Balance	Interest rate
Subordinated Debt 1st Issue Caixa Terrassa	Perpetual	15,025	Gov. Debt 3-6 years preceding half-year.
Subordinated Debt 2nd Issue Caixa Terrassa	Perpetual	6,010	TPR April + 1 b.p
Subordinated Debt 3rd Issue Caixa Terrassa	29/12/2013	60,000	EUR3M+0.25%
Subordinated Debt 4th Issue Caixa Terrassa	29/07/2020	70,000	EUR3M+0.25%
Subordinated Debt 5th Issue - tranche A Caixa Terrassa	09/08/2021	50,000	4.70%
Subordinated Debt 5th Issue - tranche B Caixa Terrassa	09/08/2021	75,000	EUR3M+0.58%
Special Subordinated Debt Caixa Terrassa	Perpetual	75,000	EUR3M+1.30%
Subordinated Debt 6th Issue Caixa Terrassa	29/09/2019	35,000	EUR3M+4.75% min.6%
Subordinated Debt Caixa Manlleu	Perpetual	7,212	TPR*1.50%
Subordinated Debt 1st Issue Caixa Manlleu	01/06/2013	10,000	TPR*0.75%
Subordinated Debt 2nd Issue Caixa Manlleu	01/12/2015	15,000	EUR3M+0.30%
Subordinated Debt 1st Issue Caixa Sabadell	Perpetual	17,426	TPR*1.25%
Subordinated Debt 2nd Issue Caixa Sabadell	Perpetual	6,012	TPR*1.25%
Subordinated Debt 3rd Issue Caixa Sabadell	Perpetual	30,001	TPR*1.25%
Subordinated Debt 4th Issue Caixa Sabadell	1/10/2012	30,000	EUR3M+0.10%
Subordinated Debt 5th Issue Caixa Sabadell	1/10/2013	50,000	EUR3M+0.10%
Subordinated Debt 6th Issue Caixa Sabadell	28/01/2020	50,000	EUR3M+0.52%
Subordinated Debt 7th Issue Caixa Sabadell	15/02/2017	100,000	EUR3M+0.44%
Subordinated Debt 8th Issue Caixa Sabadell	10/02/2024	35,000	Eur 3m + 5.25%
Subordinated Bond Caixa Manlleu	08/11/2016	15,000	EUR3M+0.36%
Diposit subordinat Participacions preferents serie A Caixa Terrassa	Perpetual	50,000	EUR3M+0.25%
Diposit subordinat Participacions preferents serie B Caixa Terrassa	Perpetual	75,000	CMS 10 years + 0.10%
Subordinated deposit of Preferred Shares Caixa Manlleu	Perpetual	18,000	EUR3M+0.20%
Subordinated deposit Preferred Shares 1st Issue Caixa Sabadell	Perpetual	75,000	EUR3M+0.25%
Subordinated deposit Preferred Shares 2nd Issue Caixa Sabadell	Perpetual	90,000	EUR3M+1.95%
1ª Emisión P.Preferentes Caixa Manlleu	17/12/2017	14,000	EUR3M+2.25%
Treasury shares		(73,551)	
Measurement adjustments		(76,242)	
Liabilities at fair value		*(59,547)*	
Other adjustments		*(16,695)*	
Balance at the end of the year		**923,893**	

All these issues have been made in euros.

All subordinated debt issues have received the Bank of Spain rating required for their computation as tier 2 capital with the limitations provided for in Bank of Spain Circular 3/2008.

The items "Subordinated deposit Preferred shares" relate to the subordinated deposits taken by the Bank from its subsidiaries: Caixa Terrassa Societat de Participacions Preferents, S.A., Caixa Manlleu Preferents, S.A. and CaixaSabadell Preferents, S.A., with respect to the issues carried out by these companies. In addition, the "1st issue of preferred shares Caixa Manlleu" was carried out directly by the parent.

The dividend distribution of these issues is subject to the Bank's distributable profits and computable equity requirements being sufficient.

Caixa Terrassa Societat de Participacions Preferentes S.A., Caixa Manlleu Preferents, S.A. and CaixaSabadell Preferentes, S.A. are entirely subsidiaries of Unnim and the issues have its joint and irrevocable guarantee.

These preference share issues are computed as Grup Unnim Tier 1 capital.

At 1 January 2011, this balance sheet heading included the convertible preferred shares subscribed by the FROB in accordance with the provisions of Royal Decree Law 9/2009, totalling €380,000,000, which were converted into shares during the restructuring of the Bank on 30 September (Note 1.2).

The average effective interest rate for these instruments in this period was approximately 4.53%.

17.6. Other financial liabilities

The breakdown of this item in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	2011
Current liabilities	143,239
Guarantees received	1,149
Tax collection accounts	20,826
Special accounts	44,167
Financial guarantees	7,095
Other items	10,601
Total	**227,077**

18. Provisions for contingent liabilities and commitments and other provisions

18.1. Pension funds and similar obligations

The present value of the Bank's post-employment remuneration commitments by the way in which these commitments were covered at 31 December 2011 is as shown below:

(Thousand euro)	2011
Fund for retired personnel commitments covered covered by insurance policies	13,636
Fund for retired personnel commitments covered by an internal fund	4,164
Fund for partial retirement commitments	5,583
Total commitments	**23,383**

Below is the breakdown of changes in the pension fund for the period from 1 July to 31 December 2011:

(Thousand euro)	2011
Balance at 1 January 2011	21,708
Appropriation against income:	
Pension funds interest expense (Note 31)	198
Reversal of provisions taken to income	(26)
Provisions used	(3,111)
Other movements	4,614
Balances at 31 December 2011	**23,383**

The heading "Other movements" relates to the reclassification of the partial retirement fund recognised at 31 December 2011 under the caption "Provisions – other provisions" of the balance sheet (Note 18.2).

The heading "Utilised provisions" includes €1,938,000 for early retirement payments (Note 2.15.2.2) as well as €419,000 for benefits to retired employees originating from the internal pension funds.

18.2. Other provisions

Below is the breakdown of changes in the 2011 accounting period and the purpose of provisions recorded in these items in the balance sheet at 31 December 2011:

(Thousand euro)	Provisions liabilities and Contingent commitments (Note 29.1)	Provisions for taxes and other legal contingencies		Other Provisions
		Taxes (Note 22)	Other legal contingencies	
Balance at 1 January 2011	4,754	-	-	227,289
Appropriation against income:				
Allocations to provisions	1,518	572	4,014	113,796
Reversal of provisions taken to income	(4,030)	-	-	(22,554)
Provisions used	-	-	-	(261,443)
Other movements	(9)	-	-	(39,216)
Balances at 31 December 2011	**2,233**	**572**	**4,014**	**17,872**

The balance of "Provisions - Other provisions" has been funded for the restructuring costs deriving from the merger of the savings banks Manlleu, Sabadell and Terrassa at 1 July 2010 (personnel restructuring, closing of offices, etc.). Specifically, in 2011 all of the costs for dismissed employees that took the lay-off offer during the period between 1 January and 31 December 2011, totalling €86,353,000 (Note 2.15.2). During 2011, the entire fund for dismissals has been used except for €12,059,000 which represents the outstanding contributions by these employees to the pension plan up to retirement age and the amount pending payment to the Social Security under the special agreement.

At 31 December 2011 the balance of "Provisions - Other provisions" included the provision deriving from the quantification of the insurance business restructuring at the date of the merger of the Savings banks Manlleu, Sabadell and Terrassa (1 July 2010) totalling €175,090,000. This provision included the amount that Unnim would have to pay in 2011 for the purchase of the shares held by Zurich (owner of 50% of the companies CaixaSabadell Vida and CaixaSabadell Compañía de Seguros Generales) as well as the amounts that the Entity would receive for the sale of those shares to the companies Aegon and Reale (owners of 50% of the companies Caixa Terrassa Vida, SAU de Seguros y Reaseguros and Caixa Terrassa Previsió, SA de Seguros y Reaseguros, respectively). In 2011 these transactions took place (Note 13) and this provision was, accordingly, used.

The heading "Other movements" includes € - 4,614,000 of the partial retirement fund erroneously recognised on 1 January 2011 under the caption "Provisions – other provisions" of the balance sheet (Note 18.1). The rest of the heading relates basically to the transfer of hedges for the properties foreclosed by Group companies, recognised under the heading Group shareholdings (Note 13.4).

At the year-end, there were several on-going legal proceedings and claims against the Bank arising from the ordinary course of its activities. The Group's legal counsel and its directors believe that the resolution of these proceedings and claims will not have a significant effect on the annual accounts for the years in which they are resolved.

Due to the different interpretations that may arise, there may be certain contingent liabilities which cannot be quantified objectively. In the opinion of the Directors, the contingencies that could derive from this would not significantly affect the annual accounts for 2011.

The breakdown of "Other provisions" at 31 December 2010 is as follows:

(Thousand euro)	2011
Provisions for the sale of the insurance business	1,256
Provision for employee restructuring	12,059
Provision for the cancellation of IT contracts	4,206
Other provisions	351
Total commitments	**17,872**

19. Other liabilities

The breakdown of this item in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	2011
Transactions in progress	8,904
Prepayments and accrued income	
Accrued unmatured expenses	26,532
Prepaid income on active transactions	1,245
Other items	395
Total	**37,076**

20. Equity

The statement of changes in total equity, which forms part of the statement of changes in equity for 2011, contains the breakdown of the changes in this equity item during the period from 1 July to 31 December 2011. In addition, the following sections provide information relevant to certain equity items and movements during 2011.

20.1.Share capital

At 31 December 2011 the Bank's capital totalled €971,313,780, represented by 971,313,780 fully subscribed and paid registered shares with a par value of one euro each, numbered sequentially from 1 to 971,313,780 (see Note 1.2).

As is indicated in Note 1.2, the single shareholder of Unnim Banc, S.A. is the FROB.

20.2. Share premium

At 31 December 2011 the Bank's share premium totals €720,195,000. The balance of that share premium relates to the difference in the segregated assets and liabilities (see Note 1.2).

20.3. Reserves

Given that it is a newly created entity the Bank does not have reserves at 31 December 2011.

21. Measurement adjustments

21.1. Available-for-sale financial assets

This item in the balance sheet includes the amount of the differences between the fair value of available-for-sale financial assets and their acquisition cost which, as stated in note 2.3.4, should be recognized in equity. These differences are recognized in the income statement when the assets which gave rise to them are sold or become impaired.

The recognized income and expenses statement for 2011, which is part of the statement of changes in equity, presents the changes in this item in the balance sheet during this period.

21.2. Cash flow hedges

This item in the balance sheet includes the net amount of any changes in value of financial derivatives designated as hedging instruments in cash flow hedges, in the portion of these changes considered to be "effective hedges" (see note 11.2).

The recognized income and expenses statement for 2011 and 2011, which is part of the statement of changes in equity, presents the changes in this item in the balance sheet during this period.

22. Tax matters

22.1. Consolidated tax group

In accordance with current legislation, the new consolidated tax group is formed by the Bank as the parent company and those Spanish subsidiaries that meet the requirements established by tax legislation regarding the consolidated profit obtained by groups of companies.

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Thus the consolidated Bank is made up of the Bank and the following subsidiaries:

Tax ID No.	Companies pertaining to the tax group
B08938508	CAIXASABADELL TINELIA, S.L.
A63524045	CAIXASABADELL PREFERENTS, S.A.
B63933758	ARRAHONA NEXUS, S.L.
B63547319	ARRAHONA AMBIT, S.L.
B64986938	ARRAHONA IMMO, S.L.
B65078800	ARRAHONA RENT SL
B08253197	PROMOTORA DEL VALLES, S.L
B25531617	AUMERAVILLA, S.L.U,
B63268601	PARC SUD PLANNER, S.L.
B63651145	PROV-INF ARRAHONA, S.L.
A63703102	CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, SA
A61650867	ARRELS CT FINSOL, S.A
A62506001	UNNIM GESFONS,SGIIC SA
A62812953	CATALONIA PROMODIS 4, S.A.
A63128284	ARRELS CT PATRIMONI I PROJECTES, S.A.
A64751241	ARRELS CT LLOGUER S.A.
A63361802	ARRELS CT PROMOU, SA
B63625107	PROMOU GLOBAL, S.L.
A63491211	CAIXA MANLLEU PREFERENTS, S.A.
B65043440	SERVICIOS Y SOLUCIONES DE GESTIÓN PARA CORPORACIONES, EMPREAS Y PARTICULARES, S.L.
A64741358	UNNIM SERVEIS DE DEPENDENCIA, S.A.
B63248579	INVERPRO DESENVOLUPAMENT, S.L.
B61905659	L'EIX IMMOBLES, S.L.
B63597454	CATALONIA GEBIRA, S.L.
B64020639	PROMOU CT EIX MACIÀ, S.L.
B63377212	PROMOU CT GEBIRA, S.L.
B63663322	HABITATGES INVERCAP S.L.
B65283426	UNNIM CAIXA OPERADOR DE BANCA ASSEGURANCES VINCULAT (OBA)

The amounts of accredited tax loss carryforwards for the period prior to joining the Bank and pending offset in future years were as follows:

Entity (€´000)	Tax loss carryforwards yet to be offset	Available until
UNNIM BANC, S.A.	433,299	2024
CAIXASABADELL TINELIA, S.L.	875	2024
PROMOTORA DEL VALLES, S.L	60,821	2024
CAIXASABADELL PREFERENTS, S.A.	152	2025
ARRAHONA AMBIT, S.L.	28,999	2019
ARRAHONA NEXUS, S.L.	68,723	2023
PROV-INF ARRAHONA, S.L.	9,920	2020
PARC SUD PLANNER, S.L.	1,662	2022
ARRAHONA RENT SL	619	2024
ARRAHONA IMMO, S.L.	41,724	2024
AUMERAVILLA, S.L.U,	5,716	2018
L'EIX IMMOBLES, S.L.	4,291	2020
UNNIM SERVEIS DE DEPENDENCIA, S.A.	253	2023
CATALONIA PROMODIS 4, S.A.	8,673	2024
ARRELS CT FINSOL, S.A	50,033	2024
ARRELS CT PATRIMONI I PROJECTES, S.A.	54,080	2024
CATALONIA GEBIRA, S.L.	7,343	2019
ARRELS CT LLOGUER S.A.	7,180	2024
ARRELS CT PROMOU, SA	16,653	2024
PROMOU GLOBAL, S.L.	42,677	2019
INVERPRO DESENVOLUPAMENT, S.L.	10,634	2025
HABITATGES INVERCAP S.L.	731	2025
CAIXA MANLLEU PREFERENTS, S.A.	5	2025
PROMOU CT GEBIRA, S.L.	1,270	2023
PROMOU CT EIX MACIÀ, S.L.	11,342	2020
	867,675	

22.2. Years subject to review by the tax authorities

At 31 December 2011, as a result of the subrogation to the rights and obligations of the former savings banks the Entity is subject to inspection by the tax authorities for the following taxes:

- Corporation tax for the years 2005 to 2008 (inclusive) for Caixa d'Estalvis de Terrassa and Caixa d'Estalvis de Sabadell.
- VAT, Withholding for Tax on Investment Income, Withholding for Tax on Earned Income and professional services for the years 2006 to 2008 (inclusive) for Caixa d'Estalvis de Terrassa and Caixa d'Estalvis de Sabadell.

The years that have not become statute barred are also open to inspection by the tax authorities.

As a result of the different interpretations that may be made of the tax regulations applicable to the transactions carried out by the financial institutions, there may be contingent tax liabilities that cannot be objectively quantified. Nonetheless, the Board of Directors and its tax advisers believe that any tax debt that might arise would not significantly affect the financial statements for 2011.

22.3. Reconciliation of accounting profit and taxable profit

Below is the breakdown of "Corporate income tax" in the income statement for 2011:

(Thousand euro)	2011
Corporate income tax expense	(162,325)
Adjustments to prior year corporate income tax expense.	(364)
Total	**(162,689)**

Below is the reconciliation of the corporate income tax expense for 2011 recognized in the income statement for the same period and the profit or loss before tax multiplied by the prevailing tax rate:

(Thousand euro)	2011
Book profit before taxes	(598,062)
Effect of permanent differences	47,060
Increases	47,513
Decreases	(453)
Corporate income tax and the 30% tax rate	(165,301)
Deductions and credits originating from:	2,976
Double taxation of dividends	-
Contributions to pension plans	-
Reinvestment deduction	-
Corporate income tax expense recognised in the income statement	**(162,325)**
Change in deferred taxes	(89,079)
Deferred tax assets	(91,427)
Deferred tax liability	2,348
Current income tax	**(251,404)**

22.4. Tax recognized in equity

Independent of the corporate income tax recognized in the income statement, in 2011 the Bank included under equity the taxes relating to “Valuation adjustments – Available-for-sale financial assets” and “Valuation adjustments – Cash flow hedges”, until these assets are sold, amounting to € -2,864,000 and € -27,000, respectively.

22.5. Deferred taxes

Pursuant to current tax legislation, in 2011 there have been temporary differences to be taken into account when quantifying the corresponding corporate income tax expense. The sources of the deferred taxes recorded in the balance sheet at 31 December 2011 are as follows:

(Thousand euro)	2011
Appropriations to pension funds	4,824
Loan impairment losses	32,272
Allocation to the portfolio of group companies	63,858
Assignment of tax consolidation eliminations	91,652
Tax-loss carryforwards yet to be offset	468,867
Deductions yet to be applied	40,282
Tax impact of merger reserves (*)	91,015
Allocation for properties	131,943
Other deferred taxes	42,648
Deferred tax assets	**967,361**

(*) Relates to the deferred taxes deriving from the restatement of the assets and liabilities on the merger of Caixa Manlleu, Caixa Sabadell and Caixa Terrassa on 1 July 2010.

(Thousand euro)	2011
Restatement of properties	40,008
Tax impact of merger reserves (*)	110,671
Other	159,789
Deferred tax liabilities	**310,468**

(*) Relates to the deferred taxes deriving from the restatement of the assets and liabilities on the merger of Caixa Manlleu, Caixa Sabadell and Caixa Terrassa on 1 July 2010.

Deferred tax liabilities includes deferral for reversal of extraordinary income (Article 21 of Act 43/1995).

This amount will be included in the tax base in accordance with Articles 34 and 38 of the regulations for the tax. The investment has been made in the following items:

(Thousand euro)	2011
Land	972
Buildings	2,571
Total	3,543

The breakdown of income included in the tax base in the years 1996 to 2011 is shown below:

(Thousand euro)	2011
1996	2.29
1997	4.93
1998	9.72
1999	12.71
2000	47.19
2001	46.21
2002	63.06
2003	76.35
2004	76.41
2005	58.75
2006	67.15
2007	39.6
2008	40.6
2009	26.43
2010	74.6
2011	9.07
Total	655.07

At 31 December 2011, €765,000 is pending inclusion in the tax base and will be included during the period from 2010 to 2097.

The heading deferred tax liabilities includes a deferred tax deriving from the restatement of property, plant and equipment for own use and the restatement of the buildings stated as investment properties in property, plant and equipment, in accordance with the regulations established by Circular 4/2004. At 31 December 2011, the unamortised restatement in this respect totals €133,360,000.

In compliance with the obligation established in Article 12.3 of the Corporate Income Tax Act, accumulated movements in the amounts deductible due to the temporary differences originating from impairment losses on equity instruments relating to group, jointly-controlled and associated companies.

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Company (Thousand euro)	Total amounts deducted at 31/12/2010	Differences in adjusted equity	Amounts included in the tax base for 2011	Amounts yet to be included
PROMOTORA DEL VALLES, S.L	(63,239)	(14,724)	(14,724)	(77,963)
INVERPRO DESENVOLUPAMENT, S.L.	(7,686)	(7,953)	(7,953)	(15,639)
ARRELS CT PROMOU, SA	(22,039)	(21,774)	(21,774)	(43,813)
ARRELS CT FINSOL, S.A	(25,174)	(57,044)	(57,044)	(82,218)
ARRELS CT PATRIMONI I PROJECTES, S.A.	(34,000)	(51,428)	(51,428)	(85,428)
CATALONIA PROMODIS 4, S.A.	(5,755)	(4,028)	(4,028)	(9,783)
ARRELS CT LLOGUER S.A.	(4,000)	(3,548)	(3,548)	(7,548)
ARRAHONA RENT SL	(616)	(496)	(496)	(1,112)
ARRAHONA AMBIT, S.L.	(23,779)	(17,444)	(17,444)	(41,223)
ARRAHONA IMMO, S.L.	(15,003)	(76,654)	(76,654)	(91,657)
ARRAHONA NEXUS, S.L.	(24,751)	(51,058)	(51,058)	(75,809)
VIATGES ITINERARI, S.L.	(95)	-	-	(95)
ALMENARA	(488)	-	488	-
SELECTIVA CAPITAL	(1,097)	-	-	(1,097)
ATCANET, S.L.	(124)	-	124	-
	(227,846)	**(306,151)**	**(305,539)**	**(533,385)**

In compliance with the provisions of Article 42.10 of the amended Corporation Tax Act, below is the year of reinvestment and the amount eligible for tax credit with respect to reinvestment which at 31 December 2011 had not completed the maintenance period required by the tax's regulations:

(Thousand euro)	Reinvested income
2008	61,462
2009	65,468
2010 first half	4,554
2010 second half	197,518
Total	329,002

22.6. Segregation

As is indicated in Note 1.2, Caixa d'Estalvis Unió de Caixes de Malleu, Sabadell i Terressa through their respective representatives, executed a public document creating a new bank with the name of Unnim Banc, S.A. to which the Entity's financial activity is transferred.

After the creation of the Bank, as a continuation of the recapitalisation plan, on 26 September 2011 the segregation of the financial business took place and Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, transferred their financial businesses to the Bank.

This transaction took place, in accordance with the provisions of Article 83.2 of Legislative Royal Decree 4/2004 (5 March), which approves the Corporate Income Tax Act (special system for mergers, spin-offs, asset contributions and share swaps).

Accordingly, and pursuant to Article 93 of the aforementioned amended Corporate Income Tax Act, Note 1.2 shows the assets acquired by Unnim Banc, S.A.'s balance sheet as a result of the segregation transaction.

It should be noted that Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa subrogated to the commitment to maintaining the reinvestment carried out by the old savings banks that had been applied to the corporate income tax returns in 2008, 2009 and 2010 as a deduction for the reinvestment of extraordinary profits.

Furthermore, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa applied a deduction for the reinvestment of extraordinary profits in the 2010 corporate income tax return and the Company must maintain the reinvestment made. This commitment and the commitment entered into as a result of the reinvestment made by the old savings banks were assumed by the Bank, which subrogates to the commitment to maintain the reinvestment.

(Thousand euro)	Caixa d'estalvis de Terrassa	Caixa d'estalvis de Sabadell	Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa
2008	21,239	40,223	-
2009	45,556	19,912	-
2010	3,016	1,538	197,518

In compliance with the obligations established by Article 93 of the Corporate Income Tax Act, it is hereby reported that Note 1.2 of the notes to the approved 2010 annual accounts for Caixa d´Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, included all formal obligations on the Company's part with respect to the merger of Caixa d´Estalvis de Manlleu, Caixa d´Estalvis de Sabadell y Caixa d´Estalvis de Terrassa, which applied the special tax system for mergers, spin-offs, asset contributions and share swaps established by Title VII, Chapter VIII of Legislative Royal Decree 4/2004 (5 March), which approved the Corporate Income Tax Act.

22.7. Provisions for taxes

The composition of the heading "Provisions - Provisions for taxes" in the balance sheet at 31 December 2011 is as follows:

(Thousand euro)	2011
Corporate Income tax assessments 2005-2008	549
VAT assessments 2006-2008	23
Total	**572**

Movements in the preceding provision are detailed in Note 18.2

23. Fair value

23.1. Fair value of financial assets and liabilities

The following tables present the fair value of financial instruments at 31 December 2011 broken down by type of financial assets and liabilities and measurement levels (note 2.3.3):

Assets:

(Thousand euro)	Carrying amount	Fair value		
		Tier I	Tier II	Tier III
Cash and deposits at central banks	**241,771**	**-**	**-**	**241,771**
Trading portfolio	**5,181**	**-**	**5,181**	**-**
Derivatives held for trading	5,181	-	5,181	-
Other financial assets at fair value through changes in profit and loss	**322**	**-**	**-**	**322**
Debt securities	322	-	-	322
Available-for-sale financial assets	**3,610,672**	**3,425,435**	**34,563**	**150,674**
Debt securities	3,265,470	3,172,610	34,563	58,297
Other equity instruments	345,202	252,825	-	92,377
Loans	**19,596,777**	**308,257**	**711,233**	**18,532,849**
Bank deposits	152,364	-	-	152,364
Customer loans	18,361,485	-		18,361,485
Debt securities	1,082,928	308,257	711,233	19,000
Held-to-maturity investments	**2,033,776**	**1,819,342**	**169,555**	**-**
Hedging derivatives	**516,419**	**1**	**516,418**	**-**

Liabilities:

(Thousand euro)	Carrying amount	Fair value Tier I	Tier II	Tier III
Trading portfolio	**3,704**	**-**	**3,704**	**-**
Derivatives held for trading	3,704	-	3,704	-
Financial liabilities at amortized cost	**27,801,145**	**-**	**-**	**27,801,145**
Central bank deposits	1,991,113	-	-	1,991,113
Bank deposits	1,074,258	-	-	1,074,258
Customer deposits	21,952,466	-	-	21,952,466
Marketable debt securities	1,632,338	-	-	1,632,338
Subordinated liabilities	923,893	-	-	923,893
Other financial liabilities	227,077	-	-	227,077
Hedging derivatives	**56,000**	**-**	**56,000**	**-**

23.2. Fair value of property, plant and equipment

Details of the fair value of certain components of the Bank's property, plant and equipment at 31 December 2011, in accordance with the categories into which they were classified, together with their carrying amounts at that date, are set out below:

(Thousand euro)	2011 Carrying amount	Fair value
Property, plant and equipment for own use	493,171	493,171
Investment properties	317,541	340,457
Non-current assets for sale - foreclosed assets	545,082	756,074
Inventories	74,548	78,052
Total	**1,430,342**	**1,667,754**

The Bank calculates the fair value of its properties as follows:

- For assets for which an updated appraisal is available (maximum validity of 12 months) from an appraiser authorised by the Bank of Spain, the fair value is the value obtained from that appraisal in accordance with the provisions of OM/805/2003.

  As a general rule, the Bank has ECO appraisals less than 12 months old for properties that have a value exceeding €500,000 and ECO appraisals less than 36 months old for the rest of the properties.

- For all the assets whose ECO appraisal is older than 12 months, estimated value discounts are applied to the appraisal based on statistical methods taking into account geography and type of assets.

- In the case of properties used in the business, their fair value does not differ significantly from the carrying amount, given the fact that all of these items were measured on the date of the merger involving the savings banks Manlleu, Sabadell y Terrassa (1 July 2010) and recorded, as a result, at the value resulting from those measurements.

24. Exposure to credit risk

Credit risk is defined as the potential financial loss arising from the total or partial failure of borrowers or counterparties of payment obligations to meet their obligations to the Bank in the time and form agreed and covers the loan stages of acceptance, monitoring and recovery. Furthermore, it also includes the identification, measurement, valuation and control of credit exposures and risk-adjusted return.

The following types can be distinguished:

- **Direct credit risk:** this means the probability of default in repayment of principal or interest on a debt created by providing funds to a counterparty.
- **Contingent credit risk:** this is the possibility of having to meet obligations on behalf of a customer without being reimbursed.
- **Country risk:** in keeping with Bank of Spain regulations, country risk means the possibility that the Bank will incur losses due to the debt of a country taken as a whole for reasons other than normal commercial risk. Country risk affects all the Bank's credit risk transactions and contingent liabilities in a country, irrespective of the nature of the loan holder and the instrumentation of the financing. It therefore includes sovereign risk, transfer risk and other risks arising from international financial activity.

In addition there are other risks associated with treasury operations, such as issuer risk, counterparty risk and settlement risk.

The Bank's general credit risk policy seeks to manage its loans and receivables to obtain maximum quality assets, using the most appropriate strategy for internal and market conditions and following maximum risk prudence and precision criteria.

24.1. Credit risk management

Credit risk policies, methods and procedures form one of the basic pillars of the Bank's risk management, which has three aspects:

- **Regulatory:** the regulatory aspect is twofold:
  - Firstly, compliance with current regulations, specifically the provisions of Appendix IX of Bank of Spain Circular 4/2004, as partially amended by Bank of Spain Circular 3/2010, on the establishment of policies, methods and procedures for granting, studying and documenting transactions, estimating impairment and calculating provisions.

    The Internal Audit Department ensures that policies, methods and procedures are appropriate, implemented effectively and reviewed regularly.
  - Secondly, compliance with internal regulations, as these provide the principles and basis for coordinated operations in the field of risk across the organization and are subsequently developed through the risk department's regulations and operating procedures.
- **Executives:** senior management seeks to take a forward-looking approach to risk management in order to evaluate and measure the impact that it should have in the medium and long term, taking into consideration the different factors that influence the definition, management and development of credit risk policies, methods and procedures.

- **Management:** the Bank is mindful that mapping out the strategy and tactics involved in establishing credit risk policies, methods and procedures is a necessary but not a sufficient condition for the Bank's credit operations. As a result it:
  - Has in place a systematic implementation process to ensure that policies are known and understood by each and every one of the participants in the Bank's risk process.
  - Develops appropriate control mechanisms to ensure their fulfilment and, if necessary, warn about possible deviations that may be taking place.

  The following general criteria are used to achieve effective credit risk management:

- **Solvency and growth:** the role of credit risk should help to increase risk-adjusted return, thus enabling reasonable growth and the allocation of adequate capital with the security that it will generate sustainable value over time. Hence management seeks to achieve maximum quality in credit assets in a context in which risk policies should have the flexibility required to anticipate changes in the market and economic conditions.
- **Risk culture:** a credit risk culture is fostered that is fully aligned with the Bank's strategic objectives and based on prudence, rigour, professionalism and the accountability of all those involved in credit risk and a shared vision of objectives. It is one of the Group's main existing assets to be translated into a competitive and differential advantage through continuous analysis of the structure of loans and receivables and continuous improvement of credit risk processes and procedures in order to achieve maximum service quality.
- **Objectivity in decision-making:** the utmost care and diligence are used in the rigorous and individualized study of each credit transaction in accordance with established principles on the basis of knowledge of and experience with the customer and the documentation provided. The granting of transaction credit risk is always made under conditions of freedom using objective criteria and without any external influence or pressure. Decisions regarding credit transactions that exceed the authority of the network will be based on a technical report from the Investment Office.
- **Independence of the business and credit risk units:** the principle of independence of decision-making between the different business units and investment management. Credit financing of investees is carried out at market conditions and implemented on the basis of a principle of separation of powers and responsibilities, with standard financing arrangements for each type of operation and the usual credit admission and monitoring processes. This independence is ensured in two ways:

  a) By establishing a system of authority for granting credit transactions in which the majority are decided by the committees and where higher volumes are decided with the participation of staff who work solely in credit risk.

  b) By tasking specialized management area personnel, such as those relating to investments and control, with monitoring the management of executive bodies along with direct management of the lending process at certain stages.

- **Uniformity:** this principle requires that credit risk management criteria (policies, structures, tools, circuits and processes) are common across the Bank, regardless of the geographical area in which the activity takes place.

By way of implementation of this principle, the Risk Committee defines the area of competency by applying the regulations set out in this Note, tasking General Management or a delegated committee with establishing management criteria, methods and policies and designing the organizational and functional structure, and Credit Risk Management with mapping out the tools and procedures for managing and monitoring.

- **Comprehensiveness:** total credit risk is not the arithmetic sum of the risk inherent in each of its transactions, as there are diversification or concentration factors that tend to mitigate or increase it. Therefore credit risk management does not focus on individual transactions and customers but instead works on the loan portfolio in the aggregate, taking into account the correlation of operations in the event of joint default and the evolution of their credit rating over time.
- **Diversification:** the loan portfolio should present the lowest possible degree of correlation with joint default, so credit operations are diversified as much as possible across the sphere of activity. The following are used to achieve this goal:
  - Segmentation of the loan portfolio that, based on the criteria in the Basel Capital Accord, identifies uniform and relevant bodies of transactions or customers for which common management policies can be used.
  - Representativeness limits for each segment, portfolio or sub-portfolio.
  - Concentration limits in risk groups.
  - Limits to the powers of all bodies in the Bank to agree to credit transactions.
- **Credit quality:** credit transactions are guided by the quality principle, i.e. they are only granted to customers with the ability to repay in due time and form, and risk output is covered through the enforcement of collaterals when initial expectations are thwarted. The following are used to achieve this goal:
  - Admission policy that restricts access to credit by applicants with the highest probability of default.
  - A collateral policy to ensure collection by way of their enforcement.
- **Operational security:** credit transaction agreements must have full legal force and accurately state the terms and conditions under which transactions are granted. The following are used to achieve this goal:
  - Powers for the review and updated maintenance of credit transaction agreements and for entering into agreements.
  - Criteria by which an agreement can be exempt from the intervention of a public certifying authority.
  - Levels of proxy powers for signing credit transaction agreements.
- **Return:** credit transactions must provide a return that is commensurate with the risk they entail. The following are used to achieve this goal:
  - Powers for the pricing of credit transactions.
  - The risk premium required for credit transactions.

- **Materiality:** actions geared towards preventing the delinquency of credit transactions must conform to the basis of the negative impact that default may have on income, seeking a reasonable balance between the cost of control and its benefits. To achieve this objective, criteria are established to define the set of borrowers with significant exposure for whom monitoring measures should be stepped up.
- **Anticipation:** actions geared towards preventing delinquency are begun early enough so that it is possible to assess the different options for credit recovery and manage the best of them. To achieve this objective, a monitoring policy and a borrower rating system have been defined which, if certain warning signs arise, establishes the risk policy to be followed and allows for the anticipation of the possible impairment of the risk assumed.
- **Fast claims:** once efforts to secure the adjustment of an incomplete transaction have been exhausted, a legal claim for the debt must be filed as quickly as possible. In order to achieve this goal deadlines are set for branches to send records for incomplete transactions to begin a legal claim.
- **Operating and management efficiency:** credit risk management models that minimize operating costs, reduce response time and standardize and systematize risk transaction analysis, including the probability of default and the risk premium as basic decision criteria, are studied, analysed and implemented.

To ensure adequate diversification of risk and avoid a concentration of sectors which due to their amount could have a negative impact on the Bank's solvency and the use of equity, credit risk limits are set depending on the purpose and characteristics of borrowers which are approved by the Credit Risk Committee on the recommendation of the Investment Committee. The Control Area provides the information and controls compliance. The types of limits set by the Bank are as follows:

- **Limits on loan portfolios:** limits based on borrowers and collateral provided are established to ensure the proper structure and diversification of loans and receivables.
- **Country risk limits:** country risk is understood as the risk attaching to customers resident in a specific country due to circumstances other than the habitual business risk. Country risk covers sovereign risk, transfer risk and other risks deriving from international financial activities.
- **Sector risk limits:** on some occasions, due to the specific position in terms of both importance in loans and receivables and also the economic outlook for various economic sectors or geographic areas, General Management on the recommendation of Investment Management may decide to adopt temporary policies which are communicated to the branches or areas concerned, indicating the specific measures to be taken and the term of these policies.
- **Geographical limits:** on some occasions and due to a specific situation, General Management on the recommendation of Investment Management may decide to adopt temporary policies which are communicated to the branches or areas concerned, indicating the specific measures to be taken and the term of these policies.
- **Borrower and groups of risk limits:** limits are established for large risks, concentration and authority for the granting of credit transactions.

<u>Problematic asset management policies:</u>

Among its general risk management policies, the Bank has established certain specific policies relating to real estate assets that have been particularly affected by the economic crisis.

These policies are intended to encourage compliance by borrowers in order to mitigate the risks to which the Bank is exposed. Alternatives are sought that allow the completion and sale of projects, such as the support of incentives to sell real estate properties owned by the promoter and mortgaged by the Bank, providing sales channels in its branch network or creating specific financing products.

In the event that these measures are not sufficient, a policy of selective asset purchases are carried out to offset promoter loans in order to accelerate the possession of properties and to be able to materialise the divestment through direct sales of the Bank's real estate portfolio.

Finally, in situations in which the friendly repayment or divestment agreement is not possible, court action is taken to execute the collateral.

24.2. Credit risk control

In addition to fostering an environment of control across the organization through the Credit Risk Control Unit, the Bank also has in place controls that reinforce and help to anticipate potential problems that could affect the loan portfolio. These controls are designed to anticipate events and warn credit risk managers. There are two main types of controls:

- **Credit portfolio controls:** portfolio risk control is designed to warn of future irregular behaviour by the various credit risk segments and covers the assessment of non-performing loans and their recovery and of all aspects that might have an impact on the expected loss; asset quality, its exposure and composition and its recovery/severity.
- **Risk management controls:** risk management controls are based on the "Credit Risk Policies, Methods and Procedures" approved by the Bank's Governing Bodies. They lay down the Bank's risk profile target and include management principles, areas of action, risk and concentration limits as well as other aspects of risk management. Checks are also carried out on risk circuits and rating tools.

24.3. Information regarding the financing of construction, real estate promotions and the acquisition of housing.

The information required by the Bank of Spain regarding the financing of construction, real estate promotions and the acquisition of housing is presented in accordance with Circular 5/2011 (30 November) (Note 1.3).

Disclosures about exposure to the property development and construction sectors

The table below shows the cumulative figures for financing granted at 31 December 2011 by the Bank for financing construction and property development activities together with their corresponding credit risk hedges (a):

(Thousand euro)	Gross amount (f)	Excess over the value of the collateral (g)	Specific hedges
Financing for real estate development and construction and coverage (business in Spain) (b)	**4,639,425**	**1,072,323**	**479,348**
- Of which: Doubtful	1,558,394	360,137	451,225
- Of which: Sub-prime	275,985	63,567	28,123

Memorandum item:	Carrying value
- Total customer loans, excluding public administrations (businesses in Spain) (d)	18,168,330
- Total assets (total businesses)	29,513,400
- Value adjustments and provisions for credit risk - Total general coverage (total businesses) (e)	-

(a) The classification of the financing in the preceding table is carried out in accordance with its purpose and not based on the borrowers activity code (CNAE).

(b) Includes all financing taking the form of loans and credit facilities, with or without a mortgage guarantee, and debt securities, intended for the construction and property development transactions relating to the activity in Spain (businesses in Spain).

(c) Gross amount of the loans for financing construction and property development (businesses in Spain) given the derecognition of the assets due to being classified as "assets in default".

(d) Amount for which the assets are recognised in the balance sheet after deducting any amounts recorded as a hedge.

(e) Total amount of value adjustments for impairment of assets and provisions that provide generic coverage for credit risk in accordance with the provisions of Appendix IX of Circular 4/2004, relating to the Bank's total activity (total business).

(f) Carrying amount before deducting value adjustments for asset impairment.

(g) This is the excess of the gross amount of each loan over the value of any property rights which were received as collateral, calculated in accordance with Appendix IX of Circular 4/2004. Therefore, the value of the real rights is the result of weighting the lower of the cost of the assets and their appraisal in their current state, weighted by the appropriate percentages based on the nature of the mortgaged assets.

The following table shows the breakdown of financing for construction, property development transactions and the acquisition of housing at 31 December 2011:

(Thousand euro)	Gross amount
With no mortgage guarantee	**524,459**
Secured by a mortgage	**4,114,966**
Finished buildings (b)	2,550,703
Housing	*1,984,514*
Other	*566,189*
Buildings under construction (b)	396,003
Housing	*380,998*
Other	*15,005*
Land	1,168,260
Developed land	*1,149,559*
Other land	*18,701*
Total	**4,639,425**

(a) Includes all mortgage-backed transactions, regardless of what percentage the prevailing risk is of the last available valuation (loan to value).

(b) If a building includes both residential (housing) and commercial (offices and/or business premises) uses, financing is included in the category of the predominant purpose.

Credit to households for house purchases.

The breakdown of the amount at 31 December 2011 of household loans for the acquisition of housing is set out below:

(Thousand euro)	Gross amount	Of which: doubtful
Home acquisition loans	9,053,222	408,321
- With no mortgage guarantee	54,709	1,443
- Secured by a mortgage (a)	8,998,513	406,878
Total		

(a) Includes all mortgage-backed transactions, regardless of what percentage the prevailing risk is of the last available valuation.

The table below shows the breakdown of mortgage-backed loans to households for house purchases at 31 December 2011 according to what percentage the total risk is of the most recent available valuation (loan to value) for those transactions recorded by Bank credit institutions:

(Thousand euro)	**Risk compared with the latest appraisal available (loan to value)**					
	<40%	>40% <60%	>60% <80%	>80% <100%	>100%	Total
Gross amount	1,667,424	2,433,198	3,701,089	1,088,820	107,982	8,998,513
Of which: doubtful	75,394	110,020	167,349	49,232	4,883	406,878

25. Exposure to interest rate risk

Exposure to interest rate risk means any possible adverse change in economic value and/or income resulting from an unanticipated change in market interest rates.

The management of interest rate risk and approval of risk assumption policy strategies and their control is structured through the Asset and Liabilities Committee (ALC), which is formed by the members of the Directors Committee, General Management, Investment Director and the Director of Financial Management and Assets and Liabilities. In addition, the rest of the Management Committee members attend the monthly ALC meetings as guests.

ALCO is the body responsible for defining interest rate risk management objectives, the determination of investment strategies for portfolios, hedging strategies and decisions on proposed structural risk management. The ALC also monitors the limits relating to the interest rate risk set out in the interest rate risk policy in place at the Bank.

Techniques for measuring sensitivity and scenario analysis are used in the analysis, measurement and control of interest rate risk assumed by the Bank, and appropriate limits to prevent exposure to levels of risk that could significantly affect it are set. These analysis procedures and techniques are reviewed as often as may be necessary to ensure their proper operation. In addition, all transactions that are individually significant for the Group are analysed both separately and also jointly with the other transactions.

Interest rate risk has an impact on the two key measurement areas the Bank uses to manage and control it:

- The impact of interest rates changes on net interest revenue.
- The impact of interest rates changes on economic value.

Both static and dynamic techniques are used to measure interest rate risk. Measurements based on current positions are called static. The addition of projected positions, whether based on budget scenarios or others deemed appropriate, yields dynamic measurements.

The following table sets out the monthly and cumulative sensitivity gap for the balance sheet at 31 December 2011. The monthly sensitivity gap shows the matrix of maturities or repricings and groups the carrying value of assets and liabilities sensitive to interest rates by repricing or maturity dates, whichever is earlier:

(Thousand euro)	1 month	1 month 3 months	3 months 1 year	1 year 2 years	2 years 3 years	3 years 4 years	4 years 5 years	More than 5 years
Assets								
Money market	212,683	32,886	42,877	5	-	-	-	76,441
Customer loans	2,073,885	3,400,459	9,146,004	654,553	693,622	28,175	41,297	2,181,986
Debt securities	134,125	855,501	1,345,221	1,159,811	483,655	445,687	813,231	1,145,266
Liabilities								
Money market	1,630,083	823,422	754,131	7,417	11,360	1,911,153	16,830	218,558
Customer deposits	431,833	4,137,699	9,262,608	1,798,387	1,878,379	663,899	789,661	682,417
Marketable debt securities	270,000	430,000	350,000	-	582,338	-	-	-
Subordinated financing	242,455	549,459	208,223	-	-	-	-	-
Monthly sensitivity gap	(153,678)	(1,651,734)	(40,860)	8,565	(1,294,800)	(2,101,190)	48,037	2,502,718
Monthly sensitivity ratio	-4.82%	-5.52%	4.57%	-1.36%	-8.55%	-0.30%	-0.02%	3.50%
Accumulated sensitivity gap	(153,678)	(1,805,412)	(1,846,272)	(1,837,707)	(3,132,507)	(5,233,697)	(5,185,660)	(2,682,942)
Accumulated sensitivity ratio	-4.82%	-10.34%	-5.78%	-7.14%	-15.69%	-15.99%	-16.01%	-12.51%

26. Exposure to liquidity risk

Liquidity risk is the risk that the Bank will have difficulties in meeting the obligations associated with financial liabilities that are settled in cash or another financial asset. Liquidity risk is thus the risk of not having sufficient liquidity to meet payment obligations to third parties on a maturity date.

The management of liquidity risk, interest rate and approval of risk assumption policy strategies and their control is structured through the Asset and Liabilities Committee (ALC), which is formed by the members of the Directors Committee, General Management, Investment Director and the Director of Financial Management and Assets and Liabilities. In addition, the rest of the Management Committee members attend the monthly ALC meetings as guests.

ALCO is the body responsible for defining liquidity management objectives, the determination of investment strategies for portfolios and decisions on proposed liquidity risk management. The ALC also monitors the limits relating to the liquidity risk set out in the liquidity risk policy in place at the Bank.

The main objective in terms of liquidity risk is always to have the tools and processes available that will enable the Bank to meet its payment obligations on time and to operate its businesses so as to achieve the Group's strategic objectives. The ability to maintain sufficient liquidity levels to meet payments is also analysed in stress scenarios.

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The Bank's Senior Management receives daily information regarding the position of the First Line of Liquidity, monitoring the different influencing actions and variables. The Liquidity Plan is the subject of a specific analysis at ALC meetings and includes the projection of the First Line of Liquidity in the short, medium and long-term and allows for the anticipation of the possible liquidity needs and to design and plan the action necessary to respond.

The Bank has a Contingency Plan for the Liquidity Risk, updated and adapted to current market circumstances. This Contingency Plan includes the indicators that trigger its activation, the procedures to apply and the responsibilities in this case, as well as the different actions and measures to generate effective and/or liquidity that develops based on the circumstances that led to the activation of the plan.

Measuring liquidity risk focuses on identifying liquidity requirements and consequently making decisions about how to meet these needs. These measurements cover both the short and the medium/long term with an overall view of the balance sheet encompassing both retail and wholesale positions. Both static and dynamic techniques are used to carry out the measurement. Measurements based on current positions are called static. The addition of projected positions, whether based on budget scenarios or others deemed appropriate, yields dynamic measurements.

Below is an analysis of the Institution's assets and liabilities by maturity, based on the time remaining from 31 December 2011 to the contractual maturity date:

(Thousand euro)	1 month	1 month 3 months	3 months 1 year	1 year 2 years	2 years 3 years	3 years 4 years	4 years 5 years	More than 5 years
Assets								
Money market	46,914	23,942	42,913	90	5,325	-	-	245,708
Customer loans	146,320	283,067	1,030,009	941,708	1,336,786	798,107	692,150	12,991,834
Debt securities	42,747	359,403	1,360,061	1,179,811	497,129	697,887	848,431	1,397,027
Liabilities								
Money market	1,614,044	715,184	697,731	42,395	51,446	1,940,051	39,809	272,295
Customer deposits	1,066,924	1,767,023	5,788,993	2,546,493	2,531,844	1,498,948	1,335,518	3,109,139
Marketable debt securities	-	-	770,000	-	605,000	-	-	257,338
Subordinated financing	-	-	30,000	120,000	-	15,000	15,000	820,136
Monthly sensitivity gap	(2,444,987)	(1,815,795)	(4,853,741)	(587,279)	(1,349,050)	(1,958,005)	150,254	10,175,661
Monthly sensitivity ratio	-9.20%	-4.91%	-15.61%	-3.28%	-8.60%	0.16%	0.54%	28.39%
Accumulated sensitivity gap	(2,444,987)	(4,260,782)	(9,114,523)	(9,701,802)	(11,050,852)	(13,008,857)	(12,858,603)	(2,682,942)
Accumulated sensitivity ratio	-9.20%	-14.11%	-29.72%	-33.00%	-41.61%	-41.44%	-40.91%	-12.51%

At the request of the Bank of Spain, and in order to ensure maximum transparency for the markets, the Bank has disclosed information about its financing and liquidity structure.

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The information regarding the needs and stable sources of financing of the Entity at 31 December 2011 is presented below:

FINANCING STRUCTURE (a)			
(Thousand euro)	Amount		Amount
Customer loans (b)	16,635,080	**TOTAL Customer deposits**	**11,622,715**
Foreclosed assets (b)	2,144,874	Mortgage bonds and securities (c)	5,321,604
TOTAL customer loans	18,779,954	Senior debt (c)	419,200
Shareholdings	184,057	Issued secured by the government	1,225,000
		Subordinated, preferred and convertible (c)	999,161
		Other short and long-term financial instruments	15,000
		Securitisations sold to third parties	766,920
		Other financing with a residual maturity exceeding 1 year	1,890,000
		Wholesale long-term financing	**10,636,885**
		Equity	**1,178,602**
Stable financing needs	**18,964,011**	**Stable financing sources**	**23,438,202**

(a) Consolidated reserved information

(b) Net value of measurement adjustments

(c) Net value of treasury shares

In addition, below are specific disclosures at 31 December 2011 about the remaining maturity terms of the Bank's wholesale issues, liquidity assets and its issue capacity:

	MATURITY OF WHOLESALE ISSUES			
(Thousand euro)	**2012**	**2013**	**2014**	**>2014**
Mortgage bonds and securities - market	712,900	658,064	307,700	3,642,940
Territorial bonds at market prices	-	-	-	-
Senior debt at market prices	145,000	-	-	274,200
Issues secured by the government at market prices	620,000	-	605,000	-
Subordinated, preferred and convertible	30,000	120,000	-	923,011
Other short and long-term financial instruments	-	-	-	15,000
Commercial paper	-	-	-	-
Maturity of wholesale issues	**1,507,900**	**778,064**	**912,700**	**4,855,151**
Mortgage bonds and securities and senior debt held in the portfolio	61,100	232,936	522,300	708,100
Maturities held in the portfolio	**61,100**	**232,936**	**522,300**	**708,100**
Securitisations sold to third parties	147,717	148,768	135,294	335,141
Total maturities of wholesale issues, including securitisations	**1,716,717**	**1,159,768**	**1,570,294**	**5,898,392**

LIQUID ASSETS (Thousand euro)	2011
Liquid assets (nominal value)	2,596,364
Liquid assets (market value and ECB cuts)	2,279,674
of which: Other Spanish public administration debt	1,814,371

ISSUE CAPACITY (Thousand euro)	2011
Capacity to issue mortgage bonds	746,528
Capacity to issue territorial mortgages bonds	36,156
Available issues secured by the government	43,000

27. Exposure to market risk

Market risk is the risk of loss to which the Bank is exposed because of the positions it holds in securities or derivatives sensitive to changes in the general conditions of financial markets. These changes arise, wither directly through listed prices or through factors on which their value depends: interest rates, exchange rates, volatility, price of the underlying asset, etc.

In its financial market operations, the Bank is exposed to market risk resulting from adverse movements in the following risk factors:

- Interest rate: arises from holding fixed-income assets.
- Price: arises from holding open positions (call or put) in shares, indexes or share-based instruments.
- Volatility: arises in financial instruments with optionality, so that their price is subject to, among other factors, the perceived volatility of aspects underlying the option (interest rates, shares, exchange rates, etc.).

For operational purposes, the Assets and Liability Committee, as delegated by the Directors, sets measurement limits and procedures associated with the balances of the various portfolios exposed to market risk, their composition and liquidity, open foreign exchange positions, derivative operations and the maximum exposure levels of these portfolios, with maximum loss limits by activities and markets. These limits are revised periodically.

The limit structure includes:

- Limits on the overall size of portfolios.
- Limits on risk level.
- Concentration limits.

The Bank records financial assets at fair value, using the quoted price for securities traded in large markets and internationally recognized measurement methods for other unquoted assets. If models are used, inputs are objective market data published in major information systems.

Investments in money and equity markets and the relevant limitations will always be subject to the Market and Counterparty Risk Policy approved by the Directors whose supervision is delegated to the Asset and Liability Committee (ALC).

The VaR is one of the methods used to measure market risk. VaR provides an estimate of the maximum expected potential loss that a securities and derivatives portfolio might experience in the event of an adverse but statistically normal change in price. It is expressed in monetary terms and refers to a specific date with a particular confidence level and a given time horizon.

The Bank uses two methods to calculate the VaR: variance-covariance method and the historical method. The VaR parameter is based on the assumption that profits and losses are distributed along a normal distribution. The VaR calculated using the historical method calculates current losses and gains that the portfolio would have recorded if the historic yields in the portfolio had randomly arisen which means that the historical prices of variables or risk factors are applied to the portfolio to generate possible scenarios. The measurements are made of the Bank's total portfolio subject to market risk and of each individual portfolio: available for sale, trading, private fixed income, equities, government debt and derivatives. The operational confidence level is 99% and the time horizon is one day. The variance-covariance method is also used to calculate VaR; one year for equities and currency, and three years for interest rates on which fixed-income securities depend. The VaR calculation using the historical method applies a decay factor of 97.

These measurements are complemented by daily backtesting which validates the accuracy of the method. The analysis consists of comparing the VaR calculated at the end of each day with the real price result of the same portfolio at closing on the following day. This verifies that the VaR estimates are within the established confidence levels.

In addition to the VaR calculation, there are also daily results obtained from analysis of stress-testing scenarios to evaluate the sensitivity of each portfolio's VaR to sudden changes in interest rates, volatility and exchange rates.

The VaR distribution for the whole of the year's book:

(Thousand euro) VaR 1-day, 99% confidence level	Available for sale	Available-for-sale government debt	Available-for-sale fixed income
Average	6,234	4,729	1,229
Maximum	12,291	9,890	3,408
Minimum	2,946	2,159	577

The following table shows fixed-income investments by issuer ratings:

(Thousand euro)	Nominal value	Fair value	% of fair value
AAA	-	-	0.00%
AA	520,070	521,462	5.70%
H	5,020,568	5,105,659	55.80%
BBB	475,892	466,446	5.10%
Unrated or less than BBB	3,091,427	3,055,889	33.40%
Total	**9,107,957**	**9,149,456**	**100.00%**

28. Operating risk exposure

Operational risk means the possibility of incurring losses due to inadequate or failed processes, staff or internal systems errors or external events. This definition includes legal risks (the possibility of being penalized, fined or required to pay damages), but excludes strategic and reputation risk.

Potential events that might lead to operational risk losses are classified as follows:

- Internal fraud.
- External fraud.
- Labour relations and occupational health and safety.
- Customers, products and business practices.
- Damage to property, plant and equipment.
- Business incidents and system failures.
- Process execution, delivery and management.

In accordance with the principles issued by the Basel Committee on best practices for operational risk management and supervision, governing bodies and senior management are involved in their development and implementation to establish management strategies and policies, and all levels within the Group must understand their operational risk management responsibilities. Consequently, the operational risk management organizational structure comprises a wide range of players who have direct responsibilities:

- **Management Committee:** the Management Committee drives operational risk management policy; it carries out formal monitoring of key issues that arise and ensures the implementation of the aforementioned policy across the entire organization.
- **Risk Policies and Models Unit:** it is responsible for planning, organizing and managing the design, creation and implementation of the Bank's operational risk management system at its different stages (identification, evaluation, monitoring and risk control/mitigation) and for codifying policies and monitoring existing operational risk management procedures within the Bank, including designing and implementing an information system about this system. It is empowered to request actions seen as necessary to ensure that risk management is carried out in line with the policies approved by the Directors.
- **Audits:** it oversees the work of the Risk Policy and Models Unit.
- **Division managers and departments reporting to them:** The Division managers are responsible for the coordination and supervision of those in charge of operational risk management in the departments and units in their division. However, departmental and/or unit heads are responsible for managing the risk associated with the functions assigned to them and therefore have to follow the risk management stages when a product, service, system or operating procedure is created, modified or revised. In addition to following published policies, regulations and procedures, they also report to and collaborate with the Risk Policy and Models Unit and partner with it in risk management.

- **Group investees:** the main duty of the person in charge of operational risk management at the investee is to implement operational risk management policies and procedures or adapt them to the investee's circumstances, and to coordinate operational risk decisions taken by the parent company which affect the investee and vice versa. Like departments and units, they have to follow the instructions of the Risk Policy and Models Unit concerning operational risk management within the framework of approved policies.

The Bank's operational risk management model and policies establish an on-going process based on:

- **Identification:** identify the main actual or potential threats affecting the Entity.
- **Evaluation:** determine the impact that the identified risks have or may have.
- **Monitoring:** check the evolution of identified risks.
- **Control:** reduce the impact of risks to acceptable limits in line with the targets set by senior management.

29. Other significant disclosures

29.1. Financial collaterals and other contingent liabilities

Financial collateral means the amounts that the Bank would have to pay for others, should those originally required to do so not pay them, to meet the commitments it has assumed in the course of its normal activity.

Below is the breakdown of these collaterals at 31 December 2011, representing the maximum risk assumed by the Bank:

(Thousand euro)	2011
Financial guarantees	254,231
Other guarantees and sureties	295,854
Irrevocable documentary credits	2,385
Risks owing to derivatives contracted on behalf of third parties	278,605
Other contingent risks	1,248
Other contingent liabilities	**832,323**

A significant portion of these amounts will reach maturity without any payment obligation materializing for the Bank, and hence the joint balance of these commitments cannot be considered to be a future financing or liquidity need the Bank provides to third parties.

Income from collateral instruments is recorded under "Commission income" and "Interest and similar income" (for the amount corresponding to the discounted value of the commissions) in the income statement and is calculated at the rate specified in the contract on the nominal amount of the collateral.

The provisions recorded to cover the collaterals provided, which are calculated using criteria similar to those used to calculate the impairment of financial assets carried at amortized cost, are recorded under "Provisions – Provisions for contingent liabilities and commitments" in the balance sheet (see note 18.2).

The Bank has granted a guarantee to a low-liquidity fixed-income asset portfolio owned by Unnim Vida, S.A, with an investment at 31 December 2011 totalling €200,223,000. The Bank guarantees the nominal value of all of the securities in the portfolio and in order to ensure compliance with this guarantee the government debt securities are pledged in an amount equivalent to the difference between the guaranteed value and the market value of these investments (calculated by an independent expert). This calculation is updated quarterly and the amount of the pledge at 31 December 2011 totals €61,720,000. At 31 December 2011, the Bank has not considered it necessary to record any loss due to that guarantee, since there is no evidence that any significant event has occurred that adversely affects the cash flows of the guaranteed portfolio.

In addition, the Bank has also provided a guarantee to Unnim Vida, S.A. for certain insurance products, securing the mismatch between the guaranteed interest rate for policyholders and the yield obtained on the associated investments. At 31 December 2011 the total amount of the guaranteed product portfolio is €31,380,000. The Bank guarantees the repurchase value of all of the securities in the portfolio and also has pledged government debt to ensure compliance with the guarantee provided, which is updated quarterly. At 31 December 2011 the pledge totalled €12,733,000 and there was no significant mismatch between the guaranteed rate and the yield obtained on the associated investments and therefore the Bank did not consider it necessary to record any loss on that guarantee.

29.2. Contingent commitments

The breakdown of the balance of this item at 31 December 2011 is as follows:

(Thousand euro)	2011
Immediately available	
Credit institutions	18,125
Public Administration Sector	7,079
Other resident sectors	2,654,655
Non-residents	2,149
Conditional	-
Securities subscribed pending disbursement	13,653
Conventional contracts for the acquisition of financial assets	8,323
Commitments for the placement and subscription of shares	16,884
Other contingent commitments	
Documents delivered to Clearing Houses	35,084
Other contingent commitments	56,736
Total	**2,812,688**

29.3. Third party funds commercialized by the Bank and securities depository

The breakdown of off-balance-sheet funds commercialized by the Bank at 31 December 2011 is shown below:

(Thousand euro)	2011
Managed by the Group	154,693
Investment Funds and companies	*154,693*
Marketed but not managed by the Group	2,620,226
Total	**2,774,919**

In addition, below is the breakdown of the securities deposited with the Bank by its customers at 31 December 2011:

(Thousand euro)	2011
Book entries	**3,406,211**
Securities entered into the central market registry	988,865
Debt securities Listed	988,865
Securities recorded by the entity	57,770
Debt securities Listed	29,548
Debt securities Unlisted	28,222
Securities entrusted to other depositary entities	2,359,576
Equity instruments Listed	328,483
Equity instruments Unlisted	2,245
Debt securities Listed	2,028,066
Debt securities Unlisted	782
Physical securities	**103,709**
In the possession of the Entity	103,440
Equity instruments	-
Debt securities	103,440
Securities entrusted to other depositary entities	269
Equity instruments	264
Debt securities	5
Total	**3,509,920**

29.4. Securitization

The Bank has carried out a number of securitization transactions whereby it transferred loans and credits in its portfolio to various securitization special-purpose vehicles, transactions in which, as a result of the terms agreed for the transfer of these assets, it has significantly retained the substantive risks and rewards of these assets (basically, the credit risk of the transferred operations). Below is the breakdown of the balances associated with these transactions recorded in the balance sheets at 31 December 2011:

(Thousand euro)	2011 (*)
TDA-22 mixto, Mortgage securitisation fund	25,726
TDA-27, Mortgage securitisation fund	171,696
AyT Préstamos Consumo III, Mortgage securitisation fund	11,256
AyT FTPime II, Mortgage securitisation fund	386
IM Cédulas 1, Mortgage securitisation fund	61,549
IM Cédulas 2, Mortgage securitisation fund	242,346
TDA-28, Mortgage securitisation fund	175,062
GAT FTGencat 2007, Mortgage securitisation fund	97,499
IM Unnim, Asset securitisation fund	985,665
GAT FTGencat 2008, Mortgage securitisation fund	221,072
GAT ICO FTVPO	31,500
AyT Hipotecario Mixto, Mortgage securitisation fund	33,529
TDA-20 mixto, Mortgage securitisation fund	36,553
AyT Hipotecario Mixto IV, Mortgage securitisation fund	44,416
AyT Hipotecario Mixto V, Mortgage securitisation fund	78,588
AyT Colaterales, Mortgage securitisation fund	112,314
AyT CaixaSabadell Hipotecari I, Asset securitisation fund	264,975
GC FTGencat CaixaSabadell 1, Asset securitisation fund	129,471
GC FTGencat CaixaSabadell 2, Asset securitisation fund	127,493
GC FTPYME Unnim 1, Asset securitisation fund	273,787
Total	**3,124,883**

(*) Includes unaccrued interest

Furthermore, prior to 1 January 2004 the Bank had carried out a number of securitization transactions which have derecognized the asset as required by Bank of Spain Circular 4/2004 (see note 9.1).

29.5. Financial assets derecognized from the balance sheet due to their impairment

Below is a summary of the changes in items derecognized from the accompanying balance sheet in 2011 as their recovery was considered to be unlikely. These financial assets are recorded under "Loan-loss" in memorandum accounts complementing the accompanying balance sheets.

(Thousand euro)	2011
Balance at 1 January 2011	**385,222**
Additions:	296,414
Charged against value adjustments due to asset impairment	228,343
Directly charged to the income statement	57,418
Accrued uncollected interest	10,653
Other items	-
Disposals:	102,787
Due to collection of principal in cash	22,741
Due to recovery in cash of accrued uncollected interest	750
Condoned	64,972
Due to the foreclosure of property, plant and equipment	13,687
Due to debt restructuring	507
Other items	130
Balance at 31 December 2011	**578,849**

29.6. Reclassification of financial instruments

In 2011 the Bank did not make any significant reclassifications between financial instrument portfolios.

30. Interest and similar income

Below is the breakdown of the most significant interest and similar income earned by the Bank during 2011:

(Thousand euro)	2011
Deposits at central banks	2,725
Bank deposits	5,136
Customer loans	655,597
Debt securities	176,143
Doubtful assets	6,660
Rectification of revenues owing to hedging operations	(2,413)
Other yields	4,210
Total	**848,058**

In addition, below is the breakdown of amounts recorded under "Interest and similar income" in the income statement for the period by the financial instrument that generated them:

(Thousand euro)	2011
Trading portfolio	16
Other financial assets at fair value through changes in profit and loss	2
Available-for-sale financial assets	62,720

Loans and discounts	709,862
Held-to-maturity portfolio	75,458
Total	**848,058**

31. Interest and similar expenses

Set out below is an analysis of this item in the 2011 profit and loss account:

(Thousand euro)	2011
Central bank deposits	13,075
Bank deposits	16,301
Monetary market transactions through counterparties	24,263
Customer deposits	570,303
Marketable debt securities	57,903
Subordinated liabilities	57,565
Adjustment of income from accounting hedges	(101,670)
Pension funds interest expense (Note 18.1)	198
Other charges	199
Total	**638,137**

In addition, below is the breakdown of amounts recorded under "Interest expense and similar charges" in the income statement for the period by the financial instrument that generated them:

(Thousand euro)	2011
Financial liabilities at amortized cost	739,410
Adjustment of income from accounting hedges	(101,670)
Pension funds	198
Other costs	199
Total	**638,137**

32. Return on equity instruments

Set out below is an analysis of this item in the 2011 profit and loss account:

(Thousand euro)	2011
Available-for-sale financial assets	20,085
Shareholdings in associates	754
Shareholdings in jointly controlled companies	-
Shareholdings in group companies	4,278
Total	**25,117**

33. Commissions received

Below is the commission income accrued during 2011 classified by the items in the income statement in which they are recognized:

(Thousand euro)	2011
Contingent risks	3,013
Contingent commitments	2,279
Currency and foreign bank notes exchange	963
Collection and payment services	41,945
Securities services	12,221
Marketing of non-bank financial products	19,965
Other fees	20,892
Total	**101,278**

34. Commissions paid

Commission expenses accrued during 2011 are set out below:

(Thousand euro)	2011
Assigned to other entities	7,462
Collection or return of bills	*288*
Other items	*7,174*
Securities transactions	1,892
Other fees	524
Total	**9,878**

35. Gains (Losses) on financial transactions

Below is the breakdown of this item in the income statement for 2011, by the financial instrument portfolio that generated them:

(Thousand euro)	2011
Trading portfolio	3,582
Available-for-sale financial assets	19,369
Other financial assets at fair value through changes in profit and loss	(438)
Financial liabilities at amortized cost	29,189

Hedging derivatives	
Hedge instruments	*230,053*
Hedged items	*(225,119)*
Total	**56,636**

36. Exchange differences

Set out below is an analysis of this item in the 2011 profit and loss account:

(Thousand euro)	2011
Profits	42,718
Losses	(42,003)
Total	**715**

37. Other operating revenues

Set out below is an analysis of this item in the 2011 profit and loss account:

(Thousand euro)	2011
Revenues from exploitation of investment properties (Note 14.2)	2,248
Financial fees offsetting direct costs	3,902
Revenues from operating leases	1,772
Other items	4,780
Total	**12,702**

38. Other operating charges

Set out below is an analysis of this item in the 2011 profit and loss account:

(Thousand euro)	2011
Contribution to the Deposit Guarantee Fund	15,858
Real estate investment expenses (Note 14.2)	139
Other items	11,070
Total	**27,067**

39. Personnel expenses

The breakdown of the heading "Personnel expenses" in the income statement for 2011 is as follows:

(Thousand euro)	2011
Wages and salaries	143,697
Social Security	31,935
Allocations to defined benefit pension plans	-
Allocations to defined contribution pension plans	8,573
Severance indemnities	443
Training expenses	578
Other personnel expenses	6,448
Total	**191,674**

The "Other staff costs" section includes, among other items, the amount of the difference between market conditions and those agreed in the granting of loans to employees (see note 2.15.2.5) and the amount of premiums for insurance policies that cover the contingencies of death or disability of the employees mentioned in note 2.15.2.3. The amount accrued in this respect in 2011 totals €708,000.

The average number of employees at the Bank, distributed by professional category and gender, in 2011 was as follows:

(Thousand euro)	2011	
	Men	Women
Senior management	12	1
Management	744	701
Clerical staff	960	1,062
Support and sundry staff	9	1
Average number of employees	**1,724**	**1,765**

At 31 December 2011 the Bank had 3,318 employees, distributed as follows:

(Thousand euro)	2011	
	Men	Women
Senior management	12	1
Management	673	690

Clerical staff	873	1060
Support and sundry staff	8	1
Number of employees	**1,566**	**1,752**

40. Other general administrative expenses

Set out below is an analysis of this item in the 2011 profit and loss account:

(Thousand euro)	2011
Property, plant and equipment:	15,182
Computers and communications	12,182
Communications	6,094
Advertising	4,772
Court and attorney's fees	872
Technical reports	3,909
Fees and taxes	6,362
Security and armoured car services	3,989
Association fees	969
Insurance premiums	379
Entertainment and travel expenses	854
External services	4,700
Other expenses	3,452
Total	**63,716**

The "External services" item includes fees and expenses for services rendered by the auditor, as detailed below:

(Thousand euro) – excluding VAT	Price Waterhouse Coopers
Audit services	136
Other review and accounting verification services	29
Tax advisory services	78
Consulting services	178
Total expenses paid	**421**

41. Gains/losses on the derecognition of assets not classified as non-current assets held for sale

Set out below is an analysis of these income statement balances in 2011:

(Thousand euro)	Earnings	Losses
Property, plant and equipment	-	(63)
Shareholdings (Note 13)	34,375	(1,810)
Other	7	-
Total expenses paid	**34,382**	**(1,873)**

42. Gains/losses on non-current assets held for sale not classified as discontinued operations

Set out below is an analysis of these income statement balances in 2011:

(Thousand euro)	Earnings	Losses
Sale of foreclosed assets	3,833	(28,143)
Impairment of foreclosed assets (Note 12)	6,436	(1,364)
Total profits/losses	**10,269**	**(29,507)**

43. Related parties

43.1. Remuneration of the Board of Directors and the Control Committee

An individualised breakdown of the per diems paid for attending Board of Directors meetings (which include the per diems for attending delegated committees), Control Committee meetings and the General Assembly of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa until the effective date of the segregation of the financial business at 30 September 2011:

(Thousand euro)	General Assembly	Board of Directors and Delegated Committees	Control Committee
Eva Bernad Claramunt (1)	-	10.5	
Juan Muñoz Galian (1)	-	1.05	-
Francesc Gilbert Hernández (2)	-		4.5
José Antonio Murcia Nieto (2)	-	-	0.45
Maria Carmen Mansilla Cabré (3)	0.45	3.15	-
Eudald Morera Salis (3)	0.9	4.05	
Genoveva Andreva Terés	0.9	10.35	-
Jaume Borrell Puigvert	0.9	-	4.5
Xavier Cabré Boronat	0.9	9	-
Francesc Clusella Luque	0.9	10.8	-
Jacint Codina Pujols	0.9	10.35	-
Jaume Colom-Noguera Castellví	0.9	8.7	-
Joan Contijoch Pratdesaba	0.9	16.5	-
Eduardo Cunillera Picó	0.45	-	4.05
Maria Antonia de la Fuente Melendro	0.9	9.45	-
Ignacio Javier Escudero Vázquez	0.9	9.9	-
Francisco Flotats Crispí	0.9	6.75	-
Miguel Font Roca	0.9	10.95	-
Roger Grané Farell	0.9	-	4.95
Núria Hernández Santamaría	0.9	10.35	-
Antonio Ernesto Juan Ortiz	0.9	9.9	-
Jordi Labòria Martorell	0.9	10.8	-
Josep Llobet Bach	0.9	10.35	-
Josep Maria Manyosa Mas	0.9	-	4.95
Francisco Palau Salas	-	7.65	-
Manuel Pérez Díaz	0.9	8.55	-
Pere Prat Boix	0.9	9	-
Jaime Ribera Segura **	-	56.3	-
Xavier Sauquet Canet	0.9	11.4	-
Salvador Soley Junoy **	0.9	35.65	-
Miquel Torrents Espuña	0.9	-	9.9
David Vilar Ginesta	-	9.3	-
Immaculada Vilardell Riera	0.9	9.9	-
Total	**22.5**	**310.7**	**33.3**

(1) Resigned on 18/1/2011 and replaced by Mrs. Eva Bernad Calarmunt.

(2) Resigned on 01/03/2011 and replaced by Mr. Francesc Gilbert Hernandez

(3) Resigned on 27/05/2011 and replaced by Mr. Eudald Morera Salis

In addition, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa has paid €335,000 up to 30 September 2011 for civil liability insurance premiums for the members of the Board of Directors and the Control Committee.

Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa did not have any pension obligations with the current or former members of the Board of Directors and the Control Committee or, accordingly, neither does the Bank.

The members of the Board of Directors and the Control Committee that formed part of the personnel of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa that are employees of the Bank received €81,000 for wages and salaries and €4,000 for pension plan contributions up until 30 September 2011.

Up until 30 September 2011, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa granted 15 loans or guarantees to members of the Board of Directors and the Control Committee and associated persons totalling €4,850,000. All of these transactions have been carried out in accordance with the Entity's usual operations and market conditions.

The Sole Administrator of the Bank (FROB) did not receive any compensation from the Entity. Mr. Antoni Abad Pous, the representative appointed by the FROB (Note 1.2.2), received €25,000 from the Entity in 2011 by virtue of an institutional representation service agreement. The rest of the representatives of the FROB did not receive any compensation from the Entity.

43.2. Remuneration for senior management

The 10 members of the Management Committee have been considered to be senior management staff for the purposes of the preparation of these financial statements.

The table below shows the remuneration payable by the Bank to senior management, as defined above, in 2011:

(Thousand euro)	Short-term compensation	Post-employment benefits
Senior management	1,945	633

At 31 December 2011 the Entity only maintained future commitments with the Managing Director. These commitments covered the termination of the employment relationship with Senior Management and the termination of the ordinary employment relationship in the event that they are removed from their Senior Management positions.

The Senior Management contract originated at Caixa Sabadell to which Caixa d'Estalvis, Unió de Caixes de Manlleu, Sabadell i Terrassa subrogated on 1 July 2010 as a result of the merger of the three savings banks and, later, by Unnim Banc, as a result of the segregation of the financial activity (Note 1.2.2). Finally, this contract was partially modified by a document dated 27 December 2011.

The Senior Management contract included the obligation to pay the executive a specific amount in the event of the termination of his special Senior Management employment contracts, unless the termination of the special Senior Management employment contract is due to justified disciplinary dismissal, and in cases of the termination of the ordinary employment contract if reactivated and subsequently terminated.

The future commitments consisted of the payment of an indemnity, using 45 days' of current salary multiplied by the length of the executive's service in the Senior Management position as the calculation basis. This indemnity has been suspended as a result of the provisions of Additional Provision Seven, paragraph One.1 of Royal Decree 3/2010 (10 February).

Senior management staff who are members of the Boards of Directors of the Bank's subsidiaries are not paid any allowances for attending meetings of this body.

43.3. Other transactions with members of the Board of Directors, the Control Committee and senior management and people related to them

The balances recorded in the balance sheets at 31 December 2011 and in the income statements for 2011 for Bank Directors, Senior Management and other related parties are as follows:

(Thousand euro)	2011
Asset transaction balances	5,289
Liability transaction balances	3,750
Contingent liabilities	175
Interest and charges	84
Interest and yields	127
Commissions	7

The financial transactions shown in the table have been carried out in accordance with the usual operations of the Bank and market conditions.

43.4. Other related parties

The balances recorded in the balance sheet at 31 December 2011 and in the income statement for 2011 for Group companies and other related parties are as follows:

(Thousand euro)	Group companies	Other related parties
Asset transaction balances	2,359,058	-
Liability transaction balances	1,135,202	2,444
Contingent liabilities	499,320	-
Interest and charges	28,643	78
Interest and yields	65,880	-
Commissions	3,718	2

The financial transactions shown in the table have been carried out in accordance with the usual operations of the Bank and market conditions.

43.5. Information required by Article 229, 230 and 231 of the Spanish Companies Act 2010

Article 229 and 230 of the Spanish Companies Act 2010, approved by Royal Legislative Decree 1/2010 of 2 July, imposes on managers the duty to report to the Board of Directors and, where appropriate, other managers or, in the case of a sole manager, the General Meeting, any situation of direct or indirect conflict that they may have with the interests of the company. The manager concerned should refrain from intervening in the agreements or decisions relating to the transaction which is the subject of the conflict.

Similarly, in accordance with Article 231, Directors should communicate any direct or indirect holdings that they and the people related to them have in the capital of a company with the same, similar or complementary type of business activity as the one which constitutes the corporate purpose, and shall also report the positions or functions they hold or exercise in this company.

It is hereby stated that during 2011, the Bank's Directors and persons associated to them have not held shares in companies with the same, similar or complementary type of business activity as the one which constitutes the Bank's corporate purpose, and nor have they held positions or exercised functions in these companies. Likewise, they have not performed and do not perform activities on a self-employed or salaried basis that are the same, similar or complementary type of activity as the one which constitutes the Bank's corporate purpose.

44. Customer service

Article 17.2 of Order ECO/734/2004 of 11 March, on customer care departments and services and the customer ombudsmen of financial institutions, states that the notes to the annual accounts should contain a brief summary of the Bank's customer service report. This summary is as follows:

During 2011 Customer Service has dealt with 2,885 customer complaints and claims, with a total of €1,560,765.08 being claimed. At 31 December 2011 a total of 1,366 complaints have been settled in favour of the customer (with the total amount paid to customers coming to €145,191.88), 67 have not been admitted and 120 were pending.

Below is the breakdown of the number of cases dealt with by group of products and services, channel used and situation at 31 December 2011.

Distribution by groups of products and services	2011
Assets	538
Liability	525
Other bank products	410
Collection and payment services	175
Pension insurance and funds	566
Investment services	97
Sundry	574
Total	**2,885**

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Distribution by presentation channel used	2011
Letter	735
e-mail:	1,510
Telephone	553
Other circuits	87
Total	**2,885**

Situation at 31 December	2011
Not admitted	67
Resolved	2,698
Of which: resolved in favour of the customer	*1,366*
Pending	120
Total	**2,885**

The Bank has an Ombudsman from the Federation of Savings Banks, to whom customer and user complaints may be presented.

The Ombudsman has dealt with 58 complaints. Below is the situation at 31 December 2011.

Situation at 31 December	2011
Estimated in full or part	12
Denied	24
Unjustified	11
Cancelled by the customer	-
Pending settlement at 31.12.2011	11
Of which: Customer service	*11*
Total	**58**

40 cases of disagreement with the rulings on complaints made to the Bank or to the Ombudsman have been filed with the Bank of Spain's Complaints Department.

Furthermore, the Complaints Department in the Directorate General of Insurance and Pension Funds has dealt with 6 cases that had previously been submitted to Customer Service and/or the Ombudsman.

The National Securities Market Commission (CNMV) has dealt with 8 complaints about rulings previously submitted to the Bank or the Ombudsman.

45. Other required information

45.1. Information regarding the Mortgage Market

Qualitative and quantitative information regarding the Mortgage Market required by Circular 7/2010, on the development of certain aspects of the mortgage market, and Circular 5/2011 (30 November 2011) (Note 1.3) is presented below:

45.1.1 Policies and procedures regarding the mortgage market

The Bank has express policies and procedures regarding its activity carried out in the mortgage market that guarantee compliance with applicable legislation for the purposes of the provisions of Royal Decree 716/2009 (24 April) and Bank of Spain circulars 7/2010 (30 November) and 5/2011 (30 November), which develops certain aspects of Law 2/1981 (25 March), on the regulation of the mortgage market and other rules governing the mortgage and financial system.

The granting of mortgage transactions is established in the Bank's Credit Risk Procedures, Methods and Policies, sustained by criteria intended to guarantee both an adequate relationship between the amount of the loan instalments and the net income of the applicant and an adequate relationship between the amount of the loan and the appraisal of the mortgaged assets.

The Bank thus analyses the applicant's capacity to make payment (both now and in the future) to satisfy commitments, taking into consideration mortgage debt, other transactions detected in the financial system and also those originating from an estimate of current expenses. The applicant's capacity to make payment is therefore a key factor in admitting the risk.

To carry out this analysis, the applicant must present documentation proving income (payroll receipts, income and other income). Similarly, the Entity consults databases of internal and external non-payments and uses the CIRBE (Bank of Spain Risk Database) for verification, carrying out the calculations of debt and compliance and all of this documentation is kept in a physical or electronic file covering the transaction.

As has already been stated, another relevant aspect is the relationship existing between the amount of the loan and the appraised value of the mortgaged asset. In certain cases, additional guarantees are requested to reinforce the coverage of the transaction. The Bank has established that the appraisal of the property to be mortgaged must be performed by an appraisal company that is independent of the Bank and authorised by the Bank of Spain. Each appraisal is reviewed and verified prior to the Bank granting financing and the physical or electronic file regarding the transaction, if it is completed, contains a copy.

The monthly Assets and Liabilities Committee meeting defines the strategy to be followed with respect to mortgage issues on the mortgage market as part of its planning of total wholesale financing. The determination of those issues is carried out based on the needs established in the Bank's Liquidity Plan, considering the evolution of the entity's business figures and the market conditions at any given moment. Each of the issues of mortgage certificates or securitisation of loans and mortgage loans is authorised by the FROB's Governing Board.

When setting eligible assets for the issue of mortgage certificates, and after excluding securitised loans and mortgage loans, those that are guaranteed by first mortgages of ownership and are for less than 80% of the appraised value (carried out by an independent company authorised by the Bank of Spain) for home financing and 60% for all other assets. In addition, the loan cannot be in litigation or bankruptcy proceedings and the mortgaged property must be covered by a current casualty insurance policy (the Bank has an umbrella casualty policy for the entire mortgage portfolio, subordinated to that which may cover the mortgaged properties).

To avoid exceeding the maximum limit for issuing mortgage certificates established by Royal Decree 716/2009 at 80% of the eligible collateral, the Bank has established a series of controls that monitor the total volume issued in mortgage certificates and the eligible collateral on a monthly basis.

Finally, with respect to securitisations, the loan and mortgage loan portfolio to be securitised is verified by an external auditor in accordance with CNMV (National Stock Market Commission) requirements.

45.1.2 Quantitative information regarding mortgage market activities

a) Loans

A breakdown of the Bank's mortgage loans at 31 December 2011 is set out below, together with information regarding their eligibility and computability for the purposes of the mortgage market.

(Thousand euro)	Par value
Total loans (a)	**16,539,583**
Mortgage shares issued	**61,465**
Of which: Loans on the balance sheet	31,500
Mortgage transfer certificates issued	**2,884,479**
Of which: Loans on the balance sheet	**2,829,014**
Mortgage loans securing financing received	**264,368**
Loans that back the issue of mortgage bonds and certificates (1 - 2 - 3 - 4)	**13,329,270**
Ineligible loans (b)	2,968,850
Meet the eligibility requirements except the limit established by Article 5.1 of RD 716/2009	1,676,519
Other	1,292,331
Eligible loans (c)	10,360,420
Non-computable amounts (d)	883,510
Computable amounts	9,476,910
Loans that cover mortgage bond issues	-
Loans appropriate to cover issues of mortgage bonds	9,476,910

(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 derecognised from the balance sheet, regardless of the percentage the risk represents compared with the amount of the latest appraisal (loan to value).

(b) Loans secured by mortgages not transferred to third parties or linked to financing received that do not meet the requirements of Article 3 of Royal Decree 716/2009 to be eligible for the issue of mortgage and covered bonds.

(a) 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.

(d) The amount of the eligible loans, based on the criteria established in Article 12 of Royal Decree 716/2009, are not computable to cover mortgage bonds and certificates.

The classification of the nominal value of outstanding mortgage loans and the nominal value of eligible loans is presented below:

(Thousand euro)	2011	
	Loans backing the issue of mortgage or covered bonds (a)	Of which: Eligible loans (b)
Origin of transactions	**13,329,270**	**10,360,420**
Originated by the entity	13,323,969	10,355,119
Subrogations by other companies	5,301	5,301
Other	-	-
Currency	**13,329,270**	**10,360,420**
Euro	13,329,270	10,360,420
Rest of currencies	-	-
Payment status	**13,329,270**	**10,360,420**
Normal payment	9,633,992	8,318,353
Other situations	3,695,278	2,042,067
Average residual maturity	**13,329,270**	**10,360,420**
Up to 10 years	2,133,384	1,299,730
From 10 to 20 years	2,681,160	2,213,962
From 20 to 30 years	4,575,365	3,873,545
More than 30 years	3,939,361	2,973,183
Interest rate	**13,329,270**	**10,360,420**
Indefinite	253,971	230,335
Variable	13,075,299	10,130,085
Mixed	-	-
Right holders	**13,329,270**	**10,360,420**
Legal persons and natural person businesses	6,177,711	4,163,314
Of which: Real property developments	*2,852,937*	*1,755,256*
Other natural persons and ISFLSH	7,151,559	6,197,106
Type of guarantee	**13,329,270**	**10,360,420**
Finished assets/buildings	10,533,691	8,324,063
Residential	8,246,930	7,084,829
Of which: Subsidised housing	*299,129*	*243,919*
Goods purchased for resale	1,040,059	733,461
Other	1,246,702	505,773
Assets/buildings under construction	1,026,015	752,067
Residential	297,830	232,241
Of which: Subsidised housing	*6,582*	*6,165*
Goods purchased for resale	728,185	519,826
Other	-	-
Land	1,769,564	1,284,290
Developed	1,470,281	1,019,527
Other	299,283	264,763

(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) not transferred to third parties or linked to financing received.

(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.

Shown below is the breakdown of the nominal value of outstanding eligible mortgage loans and credits at 31 December 2011, in terms of the value of the transactions as a percentage of the value of the collateral obtained from the latest available valuation of the mortgaged property:

	Risk relating to the amount of the latest appraisal available for the

	purposes of the mortgage market (loan to value)(b)					
	< 40 %	>40% <60%	> 60 %	> 60 % < 80%	> 80 %	TOTAL
Eligible loans backing the issue of mortgage or covered bonds (a)	**2,865,320**	**3,535,617**	**547,179**	**3,298,326**	**113,978**	**10,360,420**
- Housing	2,288,688	2,772,007		3,298,326	113,978	8,472,999
- Other assets	576,632	763,610	547,179			1,887,421

(a) Eligible loans for the issue of mortgage and covered bonds in accordance with Article 3 of Royal Decree 716/2009, without deducting the calculation limits established in Article 12 of Royal Decree 716/2009.

(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.

Movements in the nominal values during the year are presented below for the mortgage loans that back mortgage bonds and certificates (eligible and ineligible).

(Thousand euro)	2011	
	Eligible loans (a)	Ineligible loans (b)
Beginning balance	**11,248,710**	**2,830,907**
Derecognition in the period	**2,244,171**	**536,564**
Cancellations held to maturity	390	-
Early cancellations	2,096,436	376,317
Subrogations by other entities	-	-
Other	147,345	160,247
Additions during the period	**1,355,881**	**674,507**
Originated by the entity	1,355,881	674,507
Subrogations by other companies	-	-
Other	-	-
Ending balance	**10,360,420**	**2,968,850**

(a) 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.

(b) Loans secured by mortgages not transferred to third parties or linked to financing received that do not meet the requirements of Article 3 of Royal Decree 716/2009 to be eligible for the issue of mortgage and covered bonds.

The mortgage loan balances available backing the issue of mortgage and covered bonds are as follows:

(Thousand euro)	Available balances Nominal value (a)
Total	**210,644**
- Potentially eligible (b)	171,592
– Ineligible	39,052

(a) (a) Committed amounts (limit) less amounts drawn down from all of the loans secured by mortgages, regardless of the percentage of the total risk concerning the amount of the latest appraisal (loan to value) not transferred to third parties or linked to financing received. The available balance also includes the amounts that are only delivered to promoters when the houses are sold.

(b) Loans potentially eligible for the issue of mortgage and covered bonds in accordance with Article 3 of Royal Decree 716/2009.

b) Deposits

At 31 December 2011 the Bank did not possess any substitute assets.

The table below shows the aggregate nominal value of the mortgage bonds at 31 December 2011 issued by the Bank by their residual term to maturity:

(Thousand euro)	**Par value**	**Average residual term (c)**
Active mortgage bonds issued		
Mortgage certificates issued (b)	**6,835,000**	**-**
Of which: Not recorded under liabilities	500,000	-
Debt securities Issued by public offerings	-	-
Debt securities Rest of Issues	-	-
Deposits	6,835,000	-
Residual term up to one year	*768,704*	-
Residual term > 1 year to 2 years	*1,849,166*	-
Residual term > 2 years to 3 years	*792,885*	-
Residual term > 3 years to 5 years	*1,113,704*	-
Residual term > 5 years to 10 years	*1,359,260*	-
Residual term > 10 years	*951,282*	-
Mortgage shares issued (b)	**31,500**	**96**
Issued by public offerings	31,500	96
Rest of Issues		
Mortgage transfer certificates issued (b)	**2,829,014**	**60**
Issued by public offerings	2,829,014	60
Rest of Issues	-	-

(a) The mortgage certificates include all those issued by the Bank pending redemption, regardless of whether or not they are recognised under liabilities (because they have not been placed with third parties or they have been repurchased).

(b) 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).

(c) Average weighted residual term by amount, expressed in months, rounded up.

45.2. Disclosures about payment deferrals to suppliers

In compliance with the provisions of Act 15/2010 of 5 July which amended Act 3/2004 of 29 December, which lays down measures to combat delinquency in commercial transactions and which has been further implemented by a Resolution of 29 December 2010 of the Institute of Accounting and Auditing concerning the disclosures to be made in the notes to financial statements about payment deferrals to suppliers in business operations, the following is stated:

- Given the Bank's main business (finance), the disclosures presented in this note regarding payment deferrals refer exclusively to payments to suppliers for services and miscellaneous supplies, which have been conducted in strict compliance with the contractual and statutory terms set for each of them.
- The following table presents, with the scope defined in the preceding paragraph, the information regarding payments made during the year to the Bank's commercial and service providers, as required by Law 15/2010 (5 July), together with any delays in payments to suppliers at 31 December 2011 and which at that date were outstanding for more than the period allowed by law.

	31 December 2011	
	Amount (Thousand euro)	% of the total deferred payments
Payments made during the year:		
Within the legal deadline	136,963	96.1%
Other	5,536	3.9%
Total payments during the year	**142,499**	**100%**
Average weighted period in excess of the deadline	56	
Deferrals that at the closing date exceed the legal maximum deadline (*)	2	2.42%

(*) The statutory term is determined in accordance with the nature of the goods or services received by the company pursuant to the provisions of Act 3/2004.

45.3. Exposure to sovereign debt

The following information is provided with respect to the exposure to sovereign debt at 31 December 2011:

Breakdown of the carrying amount of the exposure by country:

(Thousand euro)	2011
Spain	4,701,238
Italy	10,505
France	12,718
Total	**4,724,461**

Breakdown of the carrying amount of the exposure by portfolio in which the assets are recognised:

(Thousand euro)	2011
Trading portfolio	-
Available-for-sale financial assets	3,143,834
Loans	51,651
Held-to-maturity investments	1,528,975
Total	**4,724,461**

The carrying value recorded above reflects the maximum credit risk exposure in relation the financial instruments included.

Breakdown of the residual term of the exposure by portfolio in which the assets are recognised:

	2011							
	Up to 3 months	From 3 months to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 5 years	From 5 to 10 years	More than 10 years	Total
Trading portfolio	-	-	-	-	-	-	-	-
Available-for-sale financial assets	291,251	1,293,832	608,600	584,319	117,998	158,757	89,078	3,143,834
Loans	1,332	5,624	4,854	13,159	6,714	11,000	8,968	51,651
Held-to-maturity investments	1,045	0	335,037	191,132	283,828	685,478	32,457	1,528,975
	293,627	1,299,456	948,491	788,610	408,539	855,235	130,502	4,724,461

Other information:

- Fair value The fair value of the instruments included in the trading portfolio and in the available-for-sale financial assets coincides with the aforementioned carrying amount. The fair value of the held-to-maturity investment portfolio is set out in Note 23.

  Note 23 indicates the measurement of the loan portfolio, which shows that the detailed fair value does not differ from the carrying amount. Except for the loan portfolio, the rest of the fair value associated with sovereign risk is obtained through tier 1 measurement techniques (their description is set out in Note 2.3.3)

- The effect of a 100 basis point change in interest rates would have a 2.63% effect on fair value.

Appendices

GROUP COMPANIES

APPENDIX I

(€'000)

Name and business	Domicile	% stake Direct	% stake Indirect	Date of the financial statements	Share capital	Reserves	Results	Carrying value for holding company	Dividend received by the Group	Result contributed to the Group
Arrahona Ambit, S.L. *Property development*	Gràcia, 33 - Sabadell	100.00%	-	dec '11	30,875	(2,226)	(14,877)	28,487	-	11,034
Arrahona Immo, S.L. *Property development*	Gràcia, 33 - Sabadell	100.00%	-	dec '11	213,780	(2,088)	(76,658)	215,548	-	(14,789)
Arrahona Nexus, S.L. *Property development*	Gràcia, 33 - Sabadell	100.00%	-	dec '11	106,142	(7,823)	(51,058)	141,203	-	2,908
Arrahona Rent, S.L. *Property development*	Gràcia, 33 - Sabadell	100.00%	-	dec '11	14,384	-	(491)	14,612	-	1,148
Arrels ct Finsol, S.A. *Financing real estate projects*	Rambla d'Ègara, 350 - Terrassa	99.99%	0.01%	dec '11	165,274	252	(58,338)	200,170	-	11,081
Arrels ct lloguer, S.A. *Real estate company*	Rambla d'Ègara, 350 - Terrassa	76.92%	23.08%	dec '11	7,713	-	(22,251)	11,343	-	2,463
Arrels ct Patrimoni i Projectes, S.A. *Real estate company*	Rambla d'Ègara, 350 - Terrassa	99.99%	0.01%	dec '11	63,890	(679)	(45,632)	53,953	-	(20,700)
Arrels ct Promou, S.A. *Holding company*	Rambla d'Ègara, 350 - Terrassa	100.00%	-	dec '11	45,556	(21,108)	(21,937)	8,657	-	(157)
Aumeravilla, S.L. *Property development*	Gràcia, 33 - Sabadell	-	100.00%	dec '11	2,505	(218)	(91)	1,387	-	24
AYT Caixa Sabadell Hipotecario 1, FTA *Asset securitization funds*	Paseo de la Castellana, 143 - Madrid	100.00%	-	dec '11	-	-	-	-	-	419
Caixa de Manlleu Preferents, S.A. *Issue of preferred shares*	del Pont, 16-18 - Manlleu	100.00%	-	dec '11	61	1	8	61	-	(426)
Caixa Sabadell Tinelia, S.L. *Holding company*	Gràcia, 33 - Sabadell	100.00%	-	dec '11	41,500	385	183	42,069	-	(129)
Caixa Terrassa RF mixta, SICAV, S.A. *Investment fund company*	Plaza Ricard Camí, 1 - Terrassa	97.42%	-	dec '11	190,404	47,323	5,206	235,852	-	13,153

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GROUP COMPANIES

APPENDIX I

(€'000)

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Caixa Terrassa Vida 1, SICAV, S.A. *Investment fund company*	Plaza Ricard Camí, 1 - Terrassa	55.67%	20.76%	dec '11	90,709	38,147	6,798	75,519	5,105	4,299
Caixa Terrassa Borsa, SICAV, S.A. *Investment fund company*	Plaza Ricard Camí, 1 - Terrassa	99.58%	-	dec '11	96,409	(3,899)	(1,032)	87,487	-	6,348
Caixa Terrassa Renda Fixa, SICAV, S.A. *Investment fund company*	Plaza Ricard Camí, 1 - Terrassa	99.35%	-	dec '11	150,988	1,909	12,080	154,645	-	5,751
CaixaSabadell Preferents, S.A. *Issue of preferred shares*	Gràcia, 17 - Sabadell	100.00%	-	dec '11	60	150	281	419	-	(5,451)
Caixa Terrassa Societat de Participacions Preferents, S.A. *Issue of preferred shares*	Rambla d'Ègara, 350 - Terrassa	100.00%	-	dec '11	100	1,165	162	1,261	-	(3,640)
Catalònia Gebira, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	81.66%	dec '11	13,797	(6,325)	(3,327)	3,622	-	576
Catalònia Promodis 4, S.A. *Real estate company*	Rambla d'Ègara, 350 - Terrassa	99.99%	0.01%	dec '11	8,253	146	(3,745)	14,028	-	(5,059)
Eix Immobles, S.L. *Property development*	Gràcia, 33 - Sabadell	-	90.00%	dec '11	4,000	(3,888)	(3,588)	-	-	3,074
Espais Sabadell Promocions Immobiliàries, S.A. *Property development*	Av. Diagonal, 67, 4 - Barcelona	-	100.00%	dec '11	15,315	(19,608)	(4,150)	-	-	137
GC FTGencat Caixa Sabadell 1, FTA *Asset securitization funds*	Gràcia, 17 - Sabadell	100.00%	-	dec '11	-	-	-	-	-	76
GC FTGencat Caixa Sabadell 2, FTA *Asset securitization funds*	Gràcia, 17 - Sabadell	100.00%	-	dec '11	-	-	-	-	-	59
GC FTPyme Unnim 1, FTA *Asset securitization funds*	Plaça Catalunya, 9, 6ª-7ª - Barcelona	100.00%	-	dec '11	-	-	-	-	-	5
Habitatges Invercap, S.L. *Property development*	Av. Portal del Angel, 40, puerta 7 - Barcelona	-	100.00%	dec '11	65	(28)	(306)	-	-	83

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GROUP COMPANIES

APPENDIX I

(€'000)

Name and business	Domicile	% stake Direct	% stake Indirect	Date of the financial statements	Share capital	Reserves	Results	Carrying value for holding company	Dividend received by the Group	Result contributed to the Group
IM Terrassa MBS 1, FTA *Securitization funds*	Plaza Pablo Ruiz Picasso, 1 - Madrid	100.00%	-	dec '11	-	-	-	-	-	226
IM Terrassa 1 FTGENCAT, FTA *Securitization funds*	Plaza Pablo Ruiz Picasso, 1 - Madrid	100.00%	-	dec '11	-	-	-	-	-	160
IM Unnim RMBS 1, FTA *Securitization funds*	Plaza Pablo Ruiz Picasso, 1 - Madrid	100.00%	-	dec '11	-	-	-	-	-	1,740
Inverpro Desenvolupament, S.L. *Property development*	del Pont, 16-18 - Manlleu	100.00%	-	dec '11	17,694	(2,949)	(3,487)	13,987	-	(3,314)
Itinerari 2002, S.L. *Travel agent*	del Pont, 16-18 - Manlleu	52.08%	-	dec '11	245	(84)	129	18	-	(54)
ParcSud Planner, S.L. *Property development*	Gràcia, 33 - Sabadell	-	100.00%	dec '11	3,973	-	(1,534)	-	-	(394)
Promotora del Valles, S.L. *Holding company*	Gràcia, 33 - Sabadell	100.00%	-	dec '11	29,851	(1,640)	(56,412)	4,707	-	(16,779)
Promou ct 3AG delta, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	100.00%	dec '11	2,366	(919)	(1,036)	412	-	1,797
Promou ct Eix Macià, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	75.50%	dec '11	670	450	(3,283)	-	-	(1,423)
Promou ct Gebira, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	100.00%	dec '11	2,000	3	(1,181)	934	-	597
Promou Global, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	100.00%	dec '11	25,552	(2,390)	(20,463)	3,751	-	4,418
Prov-Infi-Arrahona, S.L. *Property development*	Gràcia, 33 - Sabadell	-	100.00%	dec '11	4,314	2,062	(4,284)	-	-	2,923
Servicios y Soluciones de Gestión para Corporacions, Empresas y Particulares, SL *Administrative services*	Gràcia, 33 - Sabadell	100.00%	-	dec '11	15	383	402	153	-	476

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GROUP COMPANIES

APPENDIX I

(€'000)

Name and business	Domicile	% stake		Date of the financial statements	Share capital	Reserves	Results	Carrying value for holding company	Dividend received by the Group	Result contributed to the Group
		Direct	Indirect							
UnnimCaixa Operador de Banca d'Assegurances Vinculat, S.L. *Bancassurance operator*	Plaça Catalunya, 9, 6ª-7ª - Barcelona	100.00%	-	dec '11	2,124	90	789	70	-	16,103
Unnim Gesfons, SGIIC, S.A. *Fund manager*	Plaça Ricard Camí, 1 - Terrassa	100.00%	-	dec '11	3,000	5,146	623	7,642	-	169
Unnim Serveis de Dependència, S.A. *Project management and geriatric services*	Rambla d'Ègara, 350 - Terrassa	100.00%	-	dec '11	500	(129)	78	278	-	(21)

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JOINTLY-CONTROLLED COMPANIES **APPENDIX II**

(€'000)

Name and business	Domicile	% stake		Date of the financial statements	Share capital	Reserves	Results	Carrying value for holding company	Dividend received by the Group	Result contributed to the Group
		Direct	Indirect							
Activa ct badebaño, S.L. *Commercial*	Margarita Xirgu, 2 - Terrassa	50.00%	-	nov '11 (*)	2,600	(1,415)	(225)	480	-	(113)
Arrahona Garraf, S.L. *Property development*	Gràcia, 33 - Sabadell	-	50.00%	dec '11	19,000	(2,196)	(2,896)	8,004	-	(6,301)
Asociación Técnica de Cajas de Ahorro, A.I.E. *IT development*	Paseo Isabel la Católica, 6, 7ª - Zaragoza	31.00%	-	dec '11	6,924	-	-	2,146	-	-
Axiacom CR I, S.L. *Property development*	Ronda Camprodon, 13, ent. 2ª - Vic	-	50.00%	nov '11 (*)	3,413	(6,635)	(2,763)	-	-	787
Balma-Habitat, S.L. *Property development*	Rbla. Arnau de Vilanova, 2 - Vilanova i la Geltrú	-	50.00%	nov '11 (*)	18,500	(9,246)	(15,187)	-	-	(4,618)
Unnim Vida, SA de Seguros y Reaseguros *Life insurance and pension plan services*	Rambla d'Ègara, 352 - Terrassa	50.00%	-	dec '11	36,060	27,438	15,236	80,127	-	6,791
CaixaSabadell Vida, Societat Anónima Companya d'Assegurances i Reassegurances *Life insurance and pension fund manager*	Gràcia, 33 - Sabadell	50.00%	-	dec '11	39,072	91,326	18,670	62,076	-	9,335
Connex Garraf, S.L. *Property development*	Rbla. Arnau de Vilanova, 2 - Vilanova i la Geltrú	-	33.33%	nov '11 (*)	3,000	(1,137)	(1,166)	376	-	(421)
Dobimus, S.L. *Property development*	Plaça Eduard Marquina, 9, 1E - Girona	-	50.00%	oct '11 (*)	8,920	(9,298)	(13,595)	-	-	(6,513)
Ecoarenys, S.L. *Property development*	Cardenal Vives i Tutó, 29-33 - Barcelona	-	50.00%	dec '11	12,700	(21,802)	(8,982)	-	-	(3,106)
Frigel, S.L. *Refrigerated logistics hub*	Ollich 1 - Centelles	-	17.99%	nov '11	946	697	88	296	-	16

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JOINTLY-CONTROLLED COMPANIES **APPENDIX II**

(€'000)

Name and business	Domicile	% stake Direct	% stake Indirect	Date of the financial statements	Share capital	Reserves	Results	Carrying value for holding company	Dividend received by the Group	Result contributed to the Group
Garraf Mediterrània, S.A. *Property development*	Rbla. Arnau de Vilanova, 2 - Vilanova i la Geltrú	-	33.33%	nov '11 (*)	16,830	(1,600)	(19,081)	98	-	(4,779)
Habitatges Cimipro, S.L. *Property development*	Calabria, 59-61 - La Garriga	-	50.00%	oct '11 (*)	120	(2,321)	(1,808)	-	-	(667)
Habitatges Finver, S.L. *Property development*	Pza. Sardana, 4, bajos - Manlleu	-	50.00%	set. '11 (*)	938	326	(360)	469	-	(454)
Habitatges Invervic, S.L. *Property development*	Pare Gallissà, 21 - Vic	-	35.00%	dec '11	1,500	(3,812)	(3,335)	-	-	(431)
Habitatges Juvipro, S.L. *Property development*	MANLLEU, 54 - Vic	-	40.00%	dec '11	1,320	(425)	(722)	-	-	(347)
Habitatges Llull, S.L. *Property development*	Ps. dels Til·lers, 51 - Les Franqueses del Vallès	-	50.00%	oct '11 (*)	2,600	(2,320)	(427)	-	-	1,000
Life Promomed Vic, S.L. *Property development*	Padilla, 173 - Barcelona	-	15.37%	set. '11 (*)	17,600	(33,283)	(7,913)	-	-	2,407
Nova Llar Sant Joan, S.A. *Property development*	Via Augusta, 255 - Barcelona	-	35.00%	nov '11 (*)	2,104	(5,902)	(4,366)	-	-	186
Nucli, S.A. *Property development*	Via Augusta, 255 - Barcelona	-	29.47%	dec '11	1,395	(1,005)	(546)	586	-	(87)
Probis Aiguaviva, S.L. *Property development*	Av. Roma 119-121 - Barcelona	-	50.00%	nov '11 (*)	8,100	(5,322)	(5,989)	-	-	(5,293)
Promocions Can Catà, S.L. *Property development*	Rambla Sant Jordi, 15, local 2 - Ripollet	-	64.29%	nov '11 (*)	2,100	375	(925)	997	-	(1,357)

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JOINTLY-CONTROLLED COMPANIES **APPENDIX II**

(€'000)

Name and business	Domicile	% stake Direct	% stake Indirect	Date of the financial statements	Share capital	Reserves	Results	Carrying value for holding company	Dividend received by the Group	Result contributed to the Group
Promou ct Medea, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	51.00%	dec '11	2,900	(323)	(2,425)	419	-	(1,001)
Promou ct Opensegre, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	51.00%	dec '11	299	(9,208)	(18,684)	-	-	6,008
Promou ct Vallès, S.L. *Property development*	Rambla d'Ègara, 350 - Terrassa	-	50.00%	dec '11	13,000	(10,726)	(2,560)	-	-	(1,362)
Residencial Pedralbes-Carreras, S.L. *Property development*	Av. Diagonal, 626 - Barcelona	-	25.00%	oct '11 (*)	300	(146)	(76)	20	-	(19)
Residencial Sarria Bonanova, S.L. *Property development*	Av. Diagonal, 626 - Barcelona	-	25.53%	oct '11 (*)	500	(3,483)	(1,908)	-	-	(762)
SBD-CEAR, S.L. *Property development*	Bonavista, 203 - Sabadell	-	50.00%	oct '11 (*)	17,079	109	(5,054)	6,067	-	(478)
Solar Volar, S.L. *Property development*	Banys, 45 - La Garriga	-	45.00%	nov '11 (*)	600	(333)	(4,436)	-	-	(1,544)
Vantoureix, S.L. *Property development*	Advocat Cirera, 10 - Sabadell	-	40.72%	oct '11 (*)	23,772	9,956	4,323	11,400	-	(22,208)

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ASSOCIATES **APPENDIX III**

(€'000)

Name and business	Domicile	% stake Direct	% stake Indirect	Date of the financial statements	Share capital	Reserves	Results	Carrying value for holding company	Dividend received by the Group	Result contributed to the Group
AC Hoteles Manresa, S.L. *Real estate company*	Pau Claris, 122 - Barcelona	-	45.00%	dec '11	600	9	-	300	-	-
ACA, S.A. Sociedad de Valores *Securities brokerage*	Av. Meridiana, 27-29 - Barcelona	37.50%	-	dec '11	10,818	9,514	-	8,236	-	17
Unnim Protecció, S.A. de Seguros y Reaseguros *General insurance services (non-life)*	Rambla d'Ègara, 352 - Terrassa	50.00%	-	nov '11(*)	12,855	3,038	2,324	8,392	754	1,162
Gestió casa jove, S.L. *Real estate company*	Rambla d'Ègara, 352 - Terrassa	-	31.00%	dec '11	2,000	349	207	620	-	64
SBD Creixent, S.A. *Property development*	Blasco de Garay, 17 - Sabadell	-	23.01%	nov '11(*)	12,895	(30)	(8,257)	750	-	850
SBD Lloguer Social, S.A. *Property development*	Blasco de Garay, 17 - Sabadell	-	20.00%	nov '11(*)	17,800	3,822	302	3,560	-	33
Selectiva Capital, SICAV S.A. *Real estate investments*	Paseo de la Castellana, 89 - Madrid	49.88%	-	dec '11	2,314	1,163	(559)	1,456	-	(279)
Vic Convent SL *Real estate investments*	Plaça de la Sardana, 4 - Manlleu	-	25.00%	dec '11	2,400	(16)	-	600	-	105

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Directors' Report for 2011

Introduction

In 2011 it has become evident that the economic recovery will be slower and more irregular than expected, due to the rapid deterioration of the economic situation during the second half of the year as a result of the European sovereign debt crisis. By quarter, the main activity indicators were up during the first, weakened during the second and third and ended up down in the fourth.

Despite the slowdown during the second half of the year, GDP in Spain ended the year up by 0.7% and while notably better than the 0.1% decline in 2010, it is far behind the 1.5% in the Eurozone, driven mainly by Germany's 3.0%.

The deterioration of the economic situation has been especially apparent in the job market, in which unemployment was above 22% of the working age population. Inflation, as measured by the consumer price index, has fluctuated during the year and ended up at 2.4% (2.7% in the Eurozone).

The European Central Bank raised interest rates in April and June to 1.5% due to the risk of inflationary pressures, although at the end of the year it had been cut once again to 1% since the risk of a slowdown in activities in the Eurozone became more evident and the pressure on European sovereign debt increased.

Development of the business

Unnim Group ended 2011 with a net attributed loss of € - 435 million, which is a decline compared with the aggregate results at the end of 2010. This loss reflects the efforts made to clean out the loan and real estate portfolio and the impact of the cost of restructuring the entity in compliance with the merger integration plan. Extraordinary expenses totalling €92 million were incurred for the latter item.

At 30 June 2010 the Expected Loss Fund was created at the time Unnim came into being ("Joint venture" regulations) which was intended to recognise under equity, without impacting results, an estimate of future impairment and it included both the loan and real estate portfolio.

The economic crisis has forced Unnim to apply prudent criteria when recognizing non-performing loans and restatements of real estate appraisals in order to reflect market reality. Both issues have given rise to the appropriations for impairment having consumed the entire Expected Loss Fund at 30 June 2011 and, therefore, results have been impacted by the appropriations that exceeded the balance of that Fund. Results at the end of 2011 include €624 million in this respect.

The evolution of the Entity's results is also conditioned by the general economic crisis which has created weak demand for credit throughout the sector. The interest margin is therefore affected for both the lower credit activity and the effects caused to it by the portfolio of properties pending sale and doubtful assets, which do not generate any income. It has also been affected by the strong competition in interest rates on deposits.

The interest margin was €109.9 million (-29.7% year-on-year), the basic margin was €326.5 million (-20.4% year-on-year) and the gross margin was €369.4 million (-13.9% year-on-year). Operating expenses fell by 11.3% year-on-year, fundamentally due to a rigorous cost containment policy and lower personnel expenses as a result of the restructuring plan applied.

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Unnim Bank's loan portfolio is €18,361 million, 7.3% lower than at the beginning of the year, as a result of the continued decline in economic activity, especially the stagnation of the real estate sector.

Retail customer deposits totalled €12,102 million (-4.9% compared with last year). Of the various items making up this heading, term deposits are notable at 8,443 million and on demand deposits (€3,115 million).

The important volume of retirement savings resources that Unnim manages, which is one of the Entity's priorities of its policy of operating as a Local Bank. At the end of the year, the entity has a total balance of €2,507 million in savings plans, lifetime income and pension plans and €414 million in investment funds.

The default rate for assets at risk is 9.34%, higher than the final ratio last year (5.55%). It should be noted that the entity has an impairment provision totalling €653 million which, if the real mortgage guarantees are taken into consideration, is equal to 115% coverage of non-performing loans.

The marketing of properties in the portfolio, which is a strategic priority for Unnim, has grown notable and during the year it has sold 2,275 homes for a total of €492.7 million.

Operating resources and means: merger process

In 2011, Unim accelerated the actions outlined in the merger plan, advancing part of the forecast for 2012 with respect to both the reduction of the sales network and personnel. Since the start of the merger, the sales network has been reduced by 159 branches and the total number of branches at the end of the year is 577, of which 535 are in Catalonia while the remaining 42 are located in the Regions of Madrid and Valencia and in the cities of Zaragoza and Seville.

A total of 575 employees have left, mostly as a result of the lay-off plan agreed with unions and approved by the Catalonian Government (the merger plan has been advanced and ended this year). The exit of the rest of the excess employees will take place in accordance with the schedule in the Merger Plan. The process will be completed with the full IT integration of the technology platforms at the merged savings banks.

Outlook for 2012

The Governing Board of the Ordered Bank Restructuring Fund (FROB) prepared the restructuring plan for Unnim Banc on 7 March 2012, which calls for its merger with BBVA. This restructuring plan has already been approved by the Executive Board at the Bank of Spain and it has been submitted for the approval of the competent Spanish and European Union authorities.

The transaction has the necessary financial support from the Credit Institution Deposit Guarantee Fund (DGF) through an Asset Protection Plan (APP).

Accordingly, the perspectives for 2012 are totalled focused on the merger with BBVA and they will be determined by that financial institution if the merger effectively takes place, in accordance with its strategy and the approved restructuring plan.

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APPENDIX II

OTHER ENTITIES ISSUING SECURITIES LISTED ON OFFICIAL SECONDARY MARKETS THAT ARE NOT SAVINGS BANKS

IDENTIFICATION DETAILS OF THE ISSUER

YEAR 2011

Tax Identification Number A65609653

Name:

UNNIM BANC, S.A.U.

Registered address:

PLAÇA DE CATALUNYA, 9, 6ª-7ª PLANTA
BARCELONA
BARCELONA
08002
SPAIN

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MODEL ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

For a better understanding of this model and how to prepare the report, please read the instructions on how to fill it in at the end of this report.

H OWNERSHIP STRUCTURE

A.1. Details regarding shareholders or most significant members of the company at the year-end:

Name of the significant shareholder	% of share capital
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	100.000

A.2. Indicate if there are family, commercial, contractual or corporate relationships between owners of significant shareholdings and, to the extent that the company has knowledge of them, breakdown them below unless they are scantly relevant or arise from ordinary commercial transactions:

Name of related person or company	Type of relationship	Brief description

A.3. Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the company, breakdown them below unless they are scantly relevant or arise from ordinary commercial transactions:

Name of related person or company	Type of relationship	Brief description

B MANAGEMENT STRUCTURE OF THE COMPANY

B.1. Board of Directors or Governing Body

B.1.1. State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of Directors / members of the governing body	0
Minimum number of Directors / members of the governing body	0

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B.1.2 Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

DIRECTORS/MEMBERS OF THE GOVERNING BODY

Name of the Director/Member of the governing body	Representative	Latest date of appointment	Status
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	ANTONI ABAD POUS	29-09-2011	
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	JESUS GONZALVO LOZANO	29-09-2011	
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	JAVIER MORENO CEPEDA	29-09-2011	
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	JOSE RAMON RODRIGO ZARZA	29-09-2011	

B.1.3. Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director/Member of the governing body	Name of the Group company	Position

B.1.4 Complete the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year:

Compensation	Individual (Thousand euro)	Group (Thousand euro)
Fixed remuneration	0	0
Variable compensation	0	0
Per diems	0	0
Other compensation	25	0
Total:	**25**	**0**

B.1.5. Identify the members of senior management who are not Executive Directors and indicate the aggregate compensation accrued to them during the year:

Name	Position
JORDI MESTRE GONZALEZ	GENERAL MANAGEMENT
JESUS-ENRIQUE LIZASO OLMOS	GENERAL MANAGEMENT
JORDI ESPONA ARUMI	GENERAL MANAGEMENT LEGAL COUNSEL AND HUMAN RESOURCES
AURELI BALAGUE PONZ	SALES MANAGEMENT
MARTI CRESPO ARRUFAT	RESOURCE MANAGEMENT
JOSEFA FONT PRAT	CONTROL MANAGEMENT
PERE GIL SANCHIS	REAL ESTATE GROUP MANAGEMENT
ALBERT RENTE PUJOL	INVESTMENT MANAGEMENT
CARLOS VILARRUBIAS ALARCON	BUSINESS DEVELOPMENT MANAGEMENT
RAMON FLO BESORA	GENERAL ADMINISTRATION

Total senior management compensation (thousand euros)	2,579

B.1.6 Indicate whether the Articles of Association or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

YES [X] **NO** [ ]

Maximum term (years)	6

B.1.7. Indicate whether the individual and consolidated annual accounts presented to the Board or Governing Body for approval are previously certified:

YES [ ] **NO** [X]

If appropriate, name the person(s) who certify the Entity's individual or consolidated annual accounts before they are approved by the Board or Governing Body:

Name	Position

B.1.8. Explain the mechanisms, if any, established by the Board or Governing Body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

SECTION G

B.1.9. Is the Secretary to the Board of Directors or Governing Body a Director?

YES [ ] NO [X]

B.1.10. Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

SECTION G

B.2. Board of Directors or Governing Body Committees

B.2.1. List the governing bodies:

	No. of members	Duties
SOLE ADMINISTRATOR (FROB)	1	THROUGH ITS NATURAL PERSON REPRESENTATIVES IT HOLDS THE AUTHORITY THAT CURRENT LEGISLATION RECOGNISES FOR GOVERNING BODIES AND IT MAY, AMONG OTHER THINGS, DIRECT, CONTROL AND EXECUTE THE ENTITY'S DAILY ACTIVITY, APPOINT THE MANAGEMENT TEAM DEEMED APPROPRIATE TO COMPLY WITH ITS DUTIES AND TO GRANT AND REVOKE POWERS-OF-ATTORNEY, EVEN THOSE THAT ARE CURRENTLY IN FORCE.

B.2.2. State all the committees of the Board of Directors or Governing Body and the members thereof:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position

AUDIT COMMITTEE

Name	Position

NOMINATIONS AND COMPENSATION COMMITTEE

Name	Position

STRATEGY AND INVESTMENT COMMITTEE

Name	Position

B.2.3 Describe the rules of organization and operation and the responsibilities of each of the Board committees or members of the Governing Body. If appropriate, describe the authority of the CEO.

SECTION G

B.2.4. Indicate the number of meetings held by the Audit Committee during the year.

Number of meetings	0

B.2.5. If there is a Nomination Committee, state whether all its members are external directors or members of the governing body.

YES ☐ **NO** ☐

S TRANSACTIONS WITH RELATED PARTIES

C.1. List any significant transactions involving a transfer of resources or obligations between the Company and/or Companies in its group and the most significant Company shareholders.

Name of the significant shareholder	Name of the company or group company	Nature of the relationship	Type of transaction	Amount (Thousand euro)

C.2. List any significant transactions involving a transfer of resources or obligations between the Company and/or Companies in its group and the most significant Company shareholders or company executives:

Name of Directors or members of the governing body or executives	Name of the company or group company	Nature of the relationship	Type of relationship	Amount (Thousand euro)
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	UNNIM BANC S.A.U.	ADMINISTRATOR	SHARE CAPITAL INCREASE	385,264
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	UNNIM BANC S.A.U.	ADMINISTRATOR	SHARE CAPITAL INCREASE	568,000
FONDO DE REESTRUCTURACION ORDENADA BANCARIA	UNNIM BANC S.A.U.	ADMINISTRATOR	ACQUISITION/SALE OF SHARES	18,050

C.3. List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, relate to the Company's normal business:

Name of the group company	Brief description of the operation	Amount (Thousand euro)

C.4. State the situation of conflicts of interest, if any, involving directors or members of the Governing Body, pursuant to Article 127 ter of the Spanish Companies Act.

C.5. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Bank and its Directors, or members of the Governing Body, or executives.

Application to report information based on the provisions of Legislative Royal Decree 1/2010 (2 July), which approves the Spanish Companies Act 2010 (Articles 229 to 231), Bank of Spain Circular 4/2004 (22 December) for credit institutions, regarding public and confidential financial reporting regulations and financial statement models (Rule 62) and Bank of Spain Circular 3/2008 (22 May) on the calculation and control of minimum capital resources (Rule 119) with the express commitment of updating them in the event of any change.

D RISK CONTROL SYSTEMS

D.1. General description of the Company's risk policy and/or its Group, including detailed and an evaluation of the risks covered by the system, together with information supporting those systems' adaptation to the profile of each type of risk.

1. CREDIT RISK

The Institution's Risk Control Model is based on the principle that risk and its control are functions of any organization. Consequently the Control Unit proactively identifies the risk involved in delivering products and services to the market and enables all staff to analyze events from different standpoints in order not only to identify risk mitigation activities, but also to anticipate potential opportunities and act on them.

Credit Risk Control activity in the Institution is defined as:

* A continuous process, that is to say a means to an end and not an end in itself.
* It is carried out by staff at all levels and in all departments.
* Applied to the strategies defined by the Institution.

It seeks to provide reasonable assurance about the implementation of strategic and operational objectives and brings the following benefits:

* Align exposure to the various risks with the Institution's strategy and policies.
* Enhance risk response decisions.
* Reduce uncertainty and loss.
* Identify and manage risk diversity.
* Improve capital allocation.

Credit risk control conducts a series of actions including the following:

* Portfolio risk control: irregular assets, expected loses, investee companies, forecasts and objectives.
* Management risk control: policies and limits, risk circuit, risk control map, external regulations, rating tools and information quality.

a) Portfolio risk control

Portfolio risk control is designed to warn of future irregular behaviour by the various credit risk segments and covers the assessment of non-performing loans and their recovery and of all aspects that might have an impact on the expected loss; asset quality, its exposure and composition and its recovery/severity.

• Irregular asset control
The NPL portfolio is monitored by studying generating segments, assessing its causes and recovery and forecasting its possible evolution using pre-default indicators.
Control of change in the property portfolio which without being accredited is included at Unnim as risk recovery.

• Control of expected loss
Control of probability of default through the assessment of asset quality using rating systems.
Exposure control including analyzing its composition and identifying risk concentrations in customer, location, sector and risk product segments.
Cataloguing asset products based on their risk propensity.
Severity control involving studying Unnim’s asset transaction guarantees to measure recovery.
Controlling the application of prices depending on the risk premium through monitoring rates in loan transactions.

• Control of investees
Credit and counterparty risk of Grup Unnim investees is monitored, especially those operating in the property sector.

• Control of estimates and targets
Checking compliance with risk estimates and targets.

b) Management risk control

Management risk control is concerned with the Institution’s own behaviour in the treatment of credit risk. This involves the risk circuit, compliance with internal (range, criteria, etc.) and external regulations, rating tools and the quality of risk information.

• Policy and limits control
Monitor compliance with the credit risk policies and limits set out in the “Credit Risk Policies, Methods and Procedures" document adopted by the Governing Body.

• Risk circuit control

Control of the admission process including monitoring the indicators that assess the degree of effectiveness of the decision. It also includes control of risk acceptance powers.
Monitoring process control using indicators to evaluate prevention and anticipation of financial problems for major customers.
Recovery process control using indicators that assess the degree of efficiency in risk recovery.

• Map of risk controls: control environment
The control function identifies potential events that would affect the Institution if they were to take place. It is implemented both in control procedures currently in place for the Institution's current business and in designs for new businesses and lending policies.
Each unit is responsible for the controls that are designed and implemented in its area, which are classified into tasks and subtasks. Each unit has to ensure that controls are effective and that the model is efficient and safe and implemented properly.

The Control Unit carries out the compliance testing it deems necessary to verify that risk management controls are adequate and effective and may ask for the support of other units in the Institution.

• External regulations control
Control to ensure the implementation of Bank of Spain and other regulations concerning credit risk.

• Rating tool and information quality control
Verification of rating models through expert analysis of their reliability and appropriateness for the Institution's risk criteria together with the quality of data that underlie decision making or affect basic credit risk information.

2. MARKET RISK

The main risk factors are changes in equity prices and in interest and exchange rates.

For operational purposes, the Assets and Liabilities Committee, of which the Directors are Members, is delegated by the Board of Directors to set limits and procedures to regulate the Institution's operations in financial markets. There are four categories of such limits:

• Global limits which restrict the overall exposure of operations in the financial markets.

• Portfolio diversification limits which restrict the size of portfolios exposed to market risk. The Available for sale and Trading portfolios are distinguished for each type of product.

• Risk level limits which limit the value at risk (VaR) and latent losses in the various portfolios as well as the maximum stop-loss level for equity and losses in held-for-sale assets.

• Concentration limits by counterparty and rating category. These limits are regularly reviewed and at least once a year.

Static and dynamic indicators are monitored in order to control the main risk factors and quantify their potential impact on the value of the portfolios.

Static risk quantification measures that are analysed are the position, duration and sensitivity of the portfolios, trading results and the value at risk (VaR). The value at risk (VaR) model used quantifies the maximum forecast loss portfolio by portfolio with a confidence rating of 99% and a time horizon of one day. This estimate shows the maximum daily loss that the Institution's portfolios may sustain under normal conditions.

As for the dynamic indicators, stress tests are carried out which make it possible to estimate the risk assumed in the event that market conditions change. To do that, extreme scenarios are drawn up and daily simulations are run of the maximum loss that would be sustained should one of these scenarios take place.

Then in order to validate the accuracy of the VaR model, back-testing is carried out every day. This shows the change in actual value that the portfolios have experienced.

3. INTEREST RATE RISK

The main causes of this risk are the movement of market interest rates towards balance sheet positions based on their terms, maturity dates and re-indexing.

ALCO is responsible for reviewing interest rate risk policy and adapting it to changes that may occur in the Institution and in its setting.

ALCO will establish and approve limits for this risk and monitor them. Every year they will be reviewed and adjusted to the budgets approved by the Management Committee and Governing Body.

This risk is measured from two points of view: firstly, the economic sensitivity of the income statement in the short term to unanticipated changes in interest rates is calculated, which makes it possible to observe how net interest income would change immediately. Secondly, a gaps structure is created taking into account all the items comprising the balance sheet at their maturity structure and measured assuming a change in interest rates. This measurement makes it possible to estimate and correct the change in the Institution's economic value over the medium and long term.

A plan of action has been drawn up to minimize the impact of a rising or falling rates crisis.

Interest rate risk measurement, restriction and quantification are together one of the key variables in achieving strategic objectives in a stable model for the institution's growth, both in terms of medium and long term income statement growth and also of the future evolution of total balances.

4. LIQUIDITY RISK

Management and assessment of this risk is conducted through the ALCO, which is responsible for reviewing and adapting liquidity risk policy to changes that take place in the Institution and its setting. Its functions include discussing, evaluating and managing the positions to be taken by the Group to define their change over the short, medium and long term.

Every year ALCO, upon approval of the budget by the Management Committee and the Governing Body, defines the guidelines to be followed in liquidity management and sets the levels for each indicator.

Management policy addresses the following objectives:

* Balance sheet layout: the balance sheet layout is defined, mainly in the investment/financing wholesale/retail ratio.

* Finance structure: the finance structure proposed by ALCO is maintained. The composition of wholesale financing maintains availability in the markets at the levels set.

* Maturity structure: a time structure which provides for the short and the long term is ensured. Issues are not allowed to register excessive annual or monthly concentrations. This point requires monitored follow-up and the excessive concentration criterion is provided by ALCO based on stress models.

* New issues: these are governed by the provisions in the above points, and hence their necessity is compared with retail financing and other instruments. These issues are approved by ALCO together with their respective reports setting out compliance with established policies.

* Securities portfolio: management of the portfolio is based on monitoring market prices, eligibility and haircuts on discountable securities. Every year ALCO establishes the volume of assets that can be discounted that have to be kept in the portfolio.

Liquidity risk control is based firstly on verifying the liquidity risk that the institution is exposed to, secondly on assessing the quality of management systems in place, and thirdly on relating these two analyses with the Institution's income statement and its solvency.

A check is made that the Institution has the capacity to finance increases in asset volume and meet its payment obligations at maturity without incurring losses.

Liquidity risk control therefore requires adequate information systems about cash flows and assets available to meet potential liquidity gaps.

Checks are carried out about:

* An effective system for managing, measuring, monitoring and controlling liquidity risk in normal situations and in various scenarios, duly documented in operating manuals and procedures.

* Balance sheet structure: analysis of the balance sheet layout and its change over time.

* Financing structure: analysis of wholesale and retail financing sources and their importance in the balance sheet.

* Financing concentration: the concentration of financing sources is analysed from the point of view of specific markets, geographic concentration, currency, concentration in few suppliers, etc.

* Compliance with liquidity risk policy limits.

* Structure of maturities: gaps between the contractual maturity of assets and liabilities that make up the balance sheet are reviewed.

* Change in liquidity

* The availability of liquid assets, eligible assets and haircuts

* The ability to generate future liquidity.

* The performance of stress tests on liquidity under various scenarios: using simulations of possible liquidity situations and proposed corrective action for each case. These scenarios may include, for instance, a rating downgrade, a surge in withdrawals from customer deposits, restrictions in credit facilities, difficulties in the interbank market, illiquidity in certain markets, etc.

Additionally, it is verified that the Institution has a liquidity contingency plan and that it contains the definition and objectives of the plan, identification of critical situations/activation of the plan, mechanisms for identifying trigger situations, bodies responsible, internal communication plans and alternative ways of financing.

5. OPERATIONAL RISK

The growing complexity and sophistication of financial services and banking processes and technology mean that this risk is of major strategic importance in risk control. As a result work is being done to adapt Grup Unnim to an integrated operational risk management model implemented by means of a sector plan.

This model complies with New Basel Capital Accord guidelines and Basel Committee proposals with respect to both the three pillars of capital requirements, supervision and transparency, and also the basic principles of operational risk management. The plan seeks to ensure Grup Unnim can comply with regulatory requirements and enhance its risk management. The plan's structural features are as follows:

* The development of an institutional control framework which establishes a definition of the principles of operational risk management together with a policies and procedures manual. Operational risk functions have also been extended across all Grup Unnim management units.

* Generation, introduction and dissemination of specialist operational risk tools across the whole of Grup Unnim which employ new technology to achieve efficient operational risk management.

* Quantitative evaluation of operational risk based on identifying and registering instances of losses arising from operational risk events.

* Qualitative evaluation of operational risk by identifying risks in activities, processes and systems using a procedure for regular measuring and review of risk.

* Setting up risk indicators based on the generation of regular alerts which enable them to be analysed and action plans drawn up.

* An integrated management system that links qualitative evaluation, risk indicators and instances of losses with the development of action plans which make it possible to mitigate risk.

6. SOLVENCY RISK

Controls and proposals for Grup Unnim equity are conducted in the Risk Policy and Model unit and submitted to the Assets and Liabilities Committee.

Every month the Institution's Tier 1, Tier 2 and specifically its core capital are calculated and controlled. Limits established by law are calculated internally (not statutorily) and monitored in order to anticipate possible unforeseen variations.

Plans are drawn up for Grup Unnim's future capital needs, which are regularly reviewed based on changes in capital source and use forecasts arising from growth in activity and expected results according to strategic planning on a three year view.

In addition, stress tests are performed which are included in the IAC to predict changes in capital in the event of negative economic developments which impact on the Institution's variables.

D.2. State the control systems in place to evaluate, mitigate or reduce the main risks of the company and its group.

The main principles in the risk criteria and policies used in Grup Unnim's processes are as follows:

• Independence of risk control and management functions with respect to risk-generation areas.

• Uniformity and transparency in the use of the institution's risk criteria, processes and policies in all business areas and at all levels of the organization.

• Global vision of all the Institution's risks.

• Appropriateness of risk identification, measurement, decision-making and monitoring systems for management needs.

1. Organizational structure

The Governing Body is the highest body responsible for risk management in the Unnim group. Its main functions in this area include adopting the institution's risk policies which establish for each risk:

• maximum exposure limits
• mitigation techniques
• control and monitoring systems and tools
• responsible bodies involved at each stage of the risk acceptance process
• responsibilities and functions of these bodies

The main first level bodies responsible for ensuring that the various risks incurred by the Group in the course of its business activities are properly identified, measured, assessed and managed, and comply with the guidelines and objectives set by the Governing Body, are as follows:

• Assets and Liabilities Committee (ALCO) Since the entry of the FROB, Directors form part of the ALC.
• Investment Committee
• Finance Committee
• Management Committee

These committees are responsible for monitoring and controlling Grup Unnim's risk in greater breakdown based on the scope of their specific remit, and for submitting information and policy proposals to the Governing Body in line with current regulations.

Risk Control functions are performed by Control and Planning Management, in particular by the Global Risk Control Department which reports to it and comprises the following units:

Risk Policy and Models: implementation, development and monitoring of Grup Unnim's risk control policies and adapting them to the established risk profile. Monitoring and updating of Grup Unnim's Risk Map. Specific monitoring and control of operational risk and other risks listed in the risk map. Preparation, development, implementation, monitoring and control of the institution's risk models. Adapting the institution's procedures to comply with best risk control practice which enables improvements in processing and adaptation to regulatory requirements about equity and solvency.

Market and Investee Risk: Quantify Unnim's exposure to the following risks: market, interest rate, exchange rate and liquidity risk and the risk deriving from investee companies, and control compliance with the management policies for the aforementioned risks approved by the Governing Body.

Credit Risk Control: implementation and monitoring of credit risk controls, with a view to introducing measures that place risk profile and volume within the parameters set by the group, and correcting management difficulties that might affect those parameters. Monitoring and specific control of concentration risk and its limits.

2. Risk map.

The functions of the different departments are submitted to the various committees and then specified in the Risk Map, an internal document that is being adapted to Unnim by the Global Risk Control unit. It compiles the main risks to which the institution is exposed and is the tool that will integrate them with the assignment of the officer in charge of each one. These risks are regularly monitored with results submitted to the Management Committee for decision making, and finally a report is made to the Governing Body.

The main risks that are comprehensively monitored and controlled on a regular basis are:

• Credit risk: portfolio risk and management risk
• Credit concentration risk
• Market, currency and country risk
• Operational risk
• Legal, regulatory and tax risk
• Liquidity risk
• Interest rate risk
• Solvency risk

Apart from specific monitoring of the above risks, monitoring and control is also carried out if required of other risks such as:

• Strategic and business risk
• Reputational risk
• Knowledge management risk
• Technological obsolescence risk
• Macroeconomic environment risk
• Property asset management risk
• Integration Plan compliance

Group Unnim's comprehensive risk management policy includes control and monitoring of any other risks that may involve the probability of losses (current or future) attributable to the actions arising from Group Unnim's business activities.

D.3. If any of the risks affecting the company and/or its group had materialized, describe the circumstances which caused them and state whether the established control systems have worked.

D.4. Indicate whether there is a committee or other governing body in charge of setting up and overseeing these control mechanisms and describe its functions.

E GENERAL MEETING OR EQUIVALENT BODY

E.1. List the quorum that is necessary to validly call to order a general meeting or equivalent body as established in the Articles of Association. Describe how this is different from the minimum system established by the Spanish Companies Act or any other applicable legislation.

SECTION G

E.2 Explain the system for adopting resolutions. Describe how this is different from the system established by the Spanish Companies Act or any other applicable legislation..

SECTION G

E.3. Described shareholder rights with respect to the Board or equivalent body.

SECTION G

E.4 Briefly indicate the Resolutions adopted by shareholders at a General Meeting or equivalent body held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

Decisions taken by the single shareholder of Unnim Banc, S.A., Unipersonal, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa:

At the meeting held on 28 July the following resolutions were adopted:
- Removal and appointment of Directors.
- the amendment of Article 1 of the Company's bylaws, to reflect that the company is a bank through which Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa indirectly carries out its corporate purpose as a credit institution.
- the approval of the balance sheet and segregation project,
- the approval of the segregation of the financial activity carried out by Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa to the Company,
- Application of the special tax system for mergers, spin-offs, contributions of assets and share swaps to the segregation transaction.
- the application of the tax consolidation system, and
- delegation of authority to execute the preceding resolutions.

At the meeting held on 23 September 2011 the following resolutions were adopted:
- formal acknowledgment of the need to novate the public document covering the issue of preferred convertible shares by Unnim within the framework of its recapitalisation process,
- the acceptance of the resignation of three members of the Bank's Board of Directors,

- the delegation of authority to novate the Issue Document, and
- the delegation of authority to create a promissory note issue programme.

At the meeting held on 28 September 2011 the following resolutions were adopted:
- acknowledgment of the resolution adopted by the Governing Board of the Ordered Bank Restructuring Fund (FROB) to convert the preferred convertible shares issued by Unnim within the framework of its recapitalisation process,
- within the framework of the conversion of the preferred convertible shares into shares in the Bank
a) increase the Company's share capital by €385,263,780 through the issue of registered shares with a par value of one euro, fully subscribed and paid in by the FROB,
b) amend Article 5 of the Bylaws to reflect the new share capital, and
c) the formal transfer of Company shares to the FROB,
- the automatic administration of the Company by the FROB, once the condition precedent is met, and
- delegation of authority to execute the preceding resolutions.

Resolutions adopted by the single shareholder of Unnim Banc, S.A., Unipersonal, the Ordered Bank Restructuring Fund:

At the meeting held on 30 September 2011 the following resolutions were adopted:
- the designation of its natural person representatives
- increase share capital by €568,000,000 through the issue of registered shares with a par value of one euro, fully subscribed and paid in by the FROB,
- as a result, amend Article 5 of the Bylaws to reflect the new share capital, and
- the amendment of Article 1 of the Bylaws, due to the fact that the Company's share capital is wholly owned by the FROB.

E.5 Indicate the address and means of access to corporate governance information on your website.

On the home page of the website www.unnim.cat, and under the heading "Corporate Information" the section "Investor information" can be accessed to obtain the information of reference.

E.6. Indicate whether or not meetings have been held with any unions that may exist, holders of securities issued by the entity, the purpose of the meetings held during the year to which this report relates and the main agreements reached.

F EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the entity's degree of compliance with existing corporate governance recommendations or, if appropriate, not applying these recommendations.

If any of the recommendations are not followed, explain the recommendations, rules, practices or criteria applied by the Institution.

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Until the single document referred to by ORDER ECO/3722/2003 (26 December) is prepared, the recommendations in the Olivencia Report and the Aldama Report must be taken as a reference for completing this section, to the extent that they are applicable to your entity.

As will be seen in section G of this report, Unnim Banc, S.A.U. was incorporated on 14 July 2011 with a single shareholder, Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa, in accordance with a reorganization process to strengthen its capital. This process was governed by Royal Decree-Law 2/2011 (18 February) to reinforce the financial system.

On 30 September 2011 the sale and transfer of the shares in Unnim Banc, S.A.U. to the Ordered Bank Restructuring Fund (FROB) formally took place, and the latter became the single shareholder and provisional sole administrator of the Company in accordance with the provisions of Article 7 of Royal Decree 9/2009.

As a result, at 31 December 2011, the FROB is the single shareholder and provisional sole administrator of Unnim Banc, S.A.U., and is duly represented by four natural person representatives, who act jointly with the consensus of at least three of them, and they have assumed all of the authority assigned by current legislation and the bylaws to the Governing Body.

As an unlisted company, it is not required to strictly follow the corporate governance recommendations set out in the Olivencia and Aldama Reports and in the Unified Good Governance Code for listed companies approved by the CNMV.

G OTHER USEFUL INFORMATION

If you believe that any principles or aspects relevant to the practice of corporate governance as applied by your Institution have not been dealt with in this report, use this section to describe them.

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

On 28 July 2010,, “Caixa d’Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa” (hereinafter Unnim Caja) and the Ordered Bank Restructuring Fund (hereinafter FROB) executed a public document to issue, subscribed and make payment for preferred convertible shares that may be converted into ordinary shares by virtue of which Unnim Caja issued 3,800 preferred convertible shares for the amount of €380 million, which were fully subscribed and paid in by the FROB.

On 28 January 2011, the Board of Directors of Unnim Caja adopted a resolution to initiate a reorganisation process to reinforce its capital by creating a bank to indirectly carry out its financial activity, preserving in any event the Community Projects Fund, characterised by its regional and social commitment. This process is framed by the new international regulatory environment as interpreted by the Spanish supervisor Basel III for 2013 - and national legislation - Royal Decree Law 2/2011 (18 February), to reinforce the financial system - which requires higher solvency and liquidity levels for financial institutions and the strengthening of the supervision of activities.

This Governing Body adopted a resolution to implement a Compliance Plan that was approved by the Bank of Spain on 14 April 2011.

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On 28 April 2011, the Port of Directors adopted a resolution to implement a Recapitalization Plan that was approved by the Bank of Spain. It also adopted a resolution to create a new bank called UNNIM BANC, S.A. (hereinafter the Bank), the entity through which its financial activity would indirectly be carried out. On 14 July 2011, once the required authorizations were obtained, the creation of the bank was formally executed with a share capital of €18,050,000, through a public document executed by the Terrassa Notary Mr. Alfredo Arbona Casp, under number 1505 of his protocol. The document was entered into the Barcelona Mattel Registry in Volume 42672, Sheet 1, Page B-410961, Entry 1ª, as well as in the Registry of Credit Institutions at the Bank of Spain under number 2107.

On 28 July 2011 the General Assembly of the Savings Bank adopted a resolution, among others, that were necessary for the purposes of improving the indirect fulfilment of its corporate purpose as a credit institution through the new bank. In addition, on that date the General Assembly of Unnim Caja and the single shareholder of the Bank adopted the resolutions that were necessary to approve the segregation of the financial business of Unnim Caja to the Bank, based on the Segregation Project prepared on 20 June 2011 by the Board of Directors of Unnim Caja.

Foreseen compliance with the conditions for the segregation, the Bank and the FROB novated the public document covering the issue of the preferred convertible shares into ordinary shares to show that the conversion would be made for shares in the Bank.

On 26 September 2011 and once all of the conditions precedent to which the segregation was subject had been met, the Bank and Unnium Caja executed the public document covering the segregation. As a result, and in accordance with Transitional Provision Two of Royal Pre-Law 2/2011, the conversion of the preferred convertible shares now refers to the shares in the Bank.

On 28 September 2011 the sale and the transfer of the shares in the Bank to the FROB was formally executed, subject to the condition that the segregation document be entered into the Barcelona Mercantile Registry, which took place on 30 September 2011.

On 30 September 2011 the FROB became the single shareholder and provisional sole administrator of the Company, in accordance with Article 7 of Royal Decree 9/2009.

On that date, the conversion of the preferred shares into ordinary shares was formally executed, as well as the share capital increase relating to the issue of the shares totalling €385,263,780, and the Company's share capital then totalled €403,313,780. The shares were fully subscribed and paid in by the FROB.

In addition, as a result of the execution of the restructuring plan, a new share capital increase took place in the amount of €568 million, raising the Company's share capital to €971,313,780. The shares were fully subscribed and paid in by the FROB.

As a result, 31 December 2011, Unnim Banc, S.A.U. is wholly owned by the Ordered Bank Restructuring Fund (FROB) and it is also provisional sole administrator, duly represented by Mssrs. Antoni Abad Pous, Jesús Gonzalvo Lozano, Javier Moreno Cepeda and José Ramón Rodrigo Zarza. The Sole Administrator has assumed all of the authority assigned by current legislation and the bylaws to the Port of Directors and Delegated Committees.

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The regulations reflected below have been established by the bylaws of Unnim Banc, S.A.U, duly entered into the Barcelona Mercantile Registry on 14 July 2011, as well as by the Board of Directors Regulations. Currently, due to the circumstances mentioned above, it is not being applied.

B _ MANAGEMENT STRUCTURE OF THE COMPANY

B.1 BOARD OF DIRECTORS OR GOVERNING BODY

B.1.1.

Article 39 of the bylaws stipulates that the Board of Directors will be formed by a minimum of five (5) Directors and a maximum of fifteen (15) Directors.

B.1.2

The Governing Body may not fall within any of the categories established in this section.

B.1.3.

This has not been done since the Sole Administrator or its natural person representatives are not directors or executives at other entities that form part of the Entity's group.

B.1.4

The members of the various governing bodies in 2011 (members of the Board of Directors or the provisional sole administrator) have not received any compensation whatsoever from the Bank for the items indicated in this section.

Mr. Antoni Abad Pous, the representative appointed by the FROB received €25,000 from the Entity in 2011 by virtue of an institutional representation service agreement. The rest of the representatives of the FROB did not receive any compensation from the Entity.

B.1.6

Article 40 of the bylaws and Article 7 of the Board of Directors Regulations stipulate that Directors will hold their positions for six (6) years and may be re-elected for further equal terms, in accordance with the provisions of the bylaws. In addition the Directors appointed by shareholders will hold their positions until the date of the first meeting of the shareholders, notwithstanding possibility of being re-elected.

B.1.8.

Article 25 of the Board of Directors Regulations stipulates that the Board of Directors will ensure the preparation of the accounts such that there are no qualifications imposed by the Auditor. However, when the Board of Directors considers that it must maintain its position, it will publicly explain, through the Chairman of the Audit and Compliance Committee, the content and scope of the discrepancy and will ensure that the auditor also provides information regarding its position in this respect.

B.1.9.

According to Article 12 of the Board of Directors Regulations, the Board of Directors will elect a Secretary, who does not have to be a Director, to hold that position. If not a Director, the Secretary will have the right to be heard but not to vote.

B.1.10.

Article 45, paragraphs v and vi, and Article 15 of the Board of Directors Regulations stipulate that the Audit and Compliance Committee will establish appropriate relationships with the auditors or audit firms to receive information regarding those matters that may put their independence at risk and must receive from the auditor or the audit firm annual written confirmation of their independence with respect to the entity or entities that are directly or indirectly associated with it, as well as information regarding additional services of any kind rendered to these entities by those auditors or firms, or by persons or entities associated with them, in accordance with the provisions of Law 19/1988 (12 July) on Audits. It will issue, before the publication of the audit report, an annual report expressing an opinion regarding the independence of the auditor or audit firm. This report must provide information on the rendering of additional services, as mentioned in the preceding section.

B.2. BOARD OF DIRECTORS OR GOVERNING BODY COMMITTEES

B.2.2.

Since the Governing Body is a Sole Administrator, there is no obligation to create the committees mentioned in this section.

The bylaws and the Board of Directors Regulations stipulate that the Board of Directors must create and Audit and Compliance Committee and a Nomination and Compensation Committee. It may also create and Executive Committee, as well as other internal committees or commissions, as deemed necessary.

B.2.3

The bylaws stipulate that the Board of Directors must create and Audit and Compliance Committee and a Nomination and Compensation Committee. The organization and operation rules are those described in the bylaws and in the Board of Directors Regulations, as is the authority delegated to them, as follows:

Article 45 of the bylaws and Article 15 of the Board of Directors Regulations stipulate that the responsibilities of the Audit and Compliance Committee are as follows:

(i) Inform Shareholders at a General Meeting, through the Chairman and the Secretary, regarding issues raised at the meeting regarding areas within its competencies.

(ii) Supervise compliance with internal codes of conduct, corporate governance rules, the Board of Directors Regulations and the Money Laundering and Terrorism Financing Prevention Manual, the effectiveness of the Company's internal control, internal audit and risk management systems, as well as to discuss with the auditors or the audit firm any significant weaknesses in the internal control system detected during the performance of the audit, and make all proposals necessary for improvement. Receive information and, if appropriate, issue a report on disciplinary measures taken with respect to members of the Port of Directors work Senior Management at the Company.

(iii) To supervise the process of preparing and presenting regulated financial information.

(iv) Propose to the Board of Directors, for submission to shareholders at a General Meeting, the appointment of the auditor or the audit firm.

(v) Liaise with the auditors or audit firm to receive information about any issues potentially jeopardizing the auditors' independence, for examination by the Audit and Compliance Committee, and any other issues connected with the process of performance of the audit, as well as the other communications stipulated in audit legislation and technical auditing standards. In any event, the Audit and Compliance Committee must receive a written statement of independence from the auditor or audit firm with respect to the Entity or any directly or indirectly related entities, as well as information regarding additional services of any nature rendered to these entities by the auditor or audit firm, or by persons or companies associated with the auditor in accordance with the provisions of Law 19/1988 (12 July) on Audits.

(vi) To issue, before the issue of the audit report, an annual report expressing an opinion regarding the independence of the auditor or audit firm. This report must provide information on the rendering of additional services, as mentioned in the preceding section.

Article 46 of the bylaws and Article 16 of the Board of Directors Regulations stipulate that the Nomination and Compensation Committee is generally authorized to propose and issue reports regarding compensation and the appointment and removal of Directors. In particular, notwithstanding any other authority that the Board of Directors may assign, the Nomination and Compensation Committee:

(I) Issue non-binding reports on the Board of Director's proposals for the appointment of Directors through direct appointment or, if appropriate, to be submitted to Shareholders at a General Meeting for approval, as well as any proposals for the re-election or removal of those Directors by the General Meeting.

(ii) Issued non-binding reports on the resolutions adopted by the Board relating to the appointment or removal of the members of Board Committees and Senior Management at the Company.

(iii) To find the duties and capacities that are necessary for candidates to cover each vacancy, evaluating the competency, experience and knowledge that the Director must, as well as the necessary dedication for the proper performance of tasks.

(iv) Propose, within the framework established in the bylaws, the compensation system for the Board of Directors taken as a whole, both with respect to items, and the amounts and payment system, as well as the individual compensation for the Directors and other contractual conditions.

(v) Make a proposal to the Board of Directors regarding the general compensation policy for Senior management and the basic conditions of their contracts.

(vi) Issue an annual report on the general compensation policy for Directors, to be submitted to the Board of Directors.

(vii) Ensure compliance with the Company's compensation policy and regularly review the compensation policy for Directors and senior management.

(viii) Ensure the transparency of compensation and include Director compensation information in the annual accounts and, for this purpose, submit to the Board of Directors all relevant information.

The bylaws and the Board of Directors Regulations call for the appointment of a Managing Director, who will be responsible for executive duties to drive and coordinate the Company's business areas, including organizational issues. In addition, the Board may delegate in that person all authority deemed appropriate, and which may be delegated, in accordance with the law and these bylaws.

E GENERAL MEETING OR EQUIVALENT BODY

E.1

Article 26 of the bylaws establishes a quorum, in accordance with the law.

The General Meeting will be validly call to order on first call when the shareholders that are present or represented makeup at least twenty-five percent (25%) of the share capital with voting rights. On second call the meeting will be called to order with any number of shareholders present or represented.

However, if the meeting is to deliberate regarding a share capital increase or reduction or any other amendment to the bylaws, the issue of bonds, the suppression or limitation of the preferred right to require new shares, as well as the transformation, merger, spin-off or the universal assignment of assets and liabilities and the transfer of the domicile to a foreign country, on first call shareholders representing at least fifty percent (50%) of share capital with voting rights must be present or represented. If a sufficient quorum is not obtained, the General meeting will be held on second call.

On second call the presence or representation of twenty-five percent (25%) of share capital with voting rights will be sufficient

E.2

Article 36 of the bylaws establishes a quorum for adopting resolutions, in accordance with the law.

(1) The majority that is necessary to adopt a resolution will require a favourable vote of one-half plus one of share capital with voting rights that is present or represented at the General Meeting.

Notwithstanding the above, in order to adopt resolutions regarding a share capital increase or reduction or any other amendment to the bylaws, the issue of bonds, the suppression or limitation of the preferred right to require new shares, as well as the transformation, merger, spin-off or the universal assignment of assets and liabilities and the transfer of the domicile to a foreign country, on first call shareholders representing at least fifty percent (50%) of share capital with voting rights must be present or represented. On second call, at least twenty-five percent (25%) of share capital must be present or represented.

In the cases established in the preceding paragraph, a favourable vote must be obtained from two thirds of share capital present or represented at the Meeting when on second call shareholders represent twenty-five percent (25%) or more of share capital with voting rights, without reaching fifty percent (50%).

(2) Those attending the general meeting will have one share for each share that they possess or represent. Non-voting shares will have this right in the specific cases established under current law.

Once a resolution has been submitted to a vote and the votes have been counted, the Chairman will report the results and declare, if appropriate, the resolution validly adopted.

E.3

In addition to the shareholder rights stipulated by law, the bylaws establishes the following rights:

(a) The right to participate in the distribution of profits and equity resulting from a liquidation (Article 7 of the bylaws).

(b) The right to participate in the preferred subscription of new shares or bonds convertible into shares (Article 7 of the bylaws).

(c) The right to attend General Meetings (Article 7 of the bylaws). Furthermore, Article 27 of the bylaw stipulates that the owners of any number of shares registered in their name in the registered share ledger five (5) days before the date on which the meeting is to be held and are current with respect to the payment of any outstanding amounts are entitled to attend General Meetings.

(d) The right to vote at General Meetings, including remote voting, and to challenge any resolutions (Articles 7, 34 and 35 of the bylaws).

(e) The right to information (Articles 7 and 32 of the bylaws).

(f) The right to request the Board of Directors call a General Meeting, when requested by a number of shareholders that represent at least five percent (5%) of share capital (Article 24 of the bylaws).

(g) The right to appoint a representative to attend General Meetings, even if not a shareholder, when complying with the requirements and formalities set out in the bylaws and, if appropriate, in the Law (Article 28 of the bylaws).

In the manner regulated by the law and administrative provisions, the Company will not recognize the exercising of any political rights deriving from a shareholding with respect to any parties that in violation of these bylaws or the law, regardless of the type or degree, acquire shares in the Company.

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This Annual Corporate Governance Report was approved by the Board of Directors or Governing Body of the Bank at its meeting on 20 March 2012.

Indicate the members of the Board or Governing Body who abstained or voted against the approval of this Report.

Translation of financial statements originally issued in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

APPENDIX TO THE 2011 ANNUAL CORPORATE GOVERNANCE REPORT FOR UNNIM BANC, S.A.U.

Law 24/1988 (28 July) on the Stock Market, amended by Law 2/2011 (4 March) on Sustainable Economy, stipulates that as from the financial years commencing on 1 January 2011 the Annual Corporate Governance Report must include a description of the main characteristics of the internal control and risk management systems relating to the process of reporting regulated financial information. In this respect, the National Stock Market Commission (CNMV) published a Draft Circular on 26 October 2011 which amends the model Annual Corporate Governance Report to be published, including the manner in which each entity must describe the main characteristics of their FRICS. In the letter published by the CNMV on 28 December 2011, the regulator notes the legal amendments that must be taken into account when preparing "Information relating to FRICS" until the definitive publication of the CNMV Circular that defines a new ACGR.

For the purposes of the provisions of subsection 7 of the Financial Reporting of Internal Control Systems (FRICS) section of the model Annual Corporate Governance Report established in the Draft CNMV Circular, which requires that companies mention whether or not the description of the FRICS has been reviewed by the external auditor and, if so, that the relevant report be included, on 28 October 2011 the associations representing the auditors published a draft Action Guidelines and the model report (hereinafter the Draft Action Guidelines). In addition, on 25 January 2012 the Accounting Institute of Spain (ICAC) issued Circular E01/2012 establishing certain additional considerations relating to this matter.

1. Description of the main characteristics of Internal Control and Risk Management Systems relating to the process of issuing financial information (ICRMS).

Mechanisms that make up the control and risk management systems with respect to the financial reporting information control system (FRICS) at the entity.

1.1. Control environment at the Entity:

1.1.1 Which bodies and/or areas are responsible for: (i) the existence and maintenance of adequate and effective IFRICS; (ii) their implementation; and (iii) their supervision.

At the date this CGAR was prepared, and within the restructuring of Unnim with the intervention of the Ordered Bank Restructuring Fund (FROB) carried out in accordance with Article 7.1a) of Royal Decree - Law 9/2009 (26 June), the FROB is the provisional sole administrator of Unnim Banc and is represented by the following persons:

Mr. Antoni Abad Pous
Mr. Jesús Gonzalvo Lozano
Mr. Javier Moreno Cepeda
Mr. José Ramón Rodrigo Zarza

In accordance with Additional Provision Eighteen of Law 24/2988 (28 July), which regulates the Stock Market, the Audit Committee has, among others, the duty of supervising the effectiveness of the Company's internal control system, internal audit and risk management systems, the supervision of the process of preparing and presented regulated financial information and proposing the appointment of the auditors. At the date this ACGR was prepared this Committee had been formed and its members were the Directors of Unnim Banc, the Managing Director and the Audit Director.

1.1.2 List of existing items relating to the process of preparing the financial information:

- **Which Departments and/or mechanisms are responsible for:** (i) **the design and review of the organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for proper reporting within the Entity, particularly with respect to process of preparing financial information**:

Organizational structure:

The design and the approval of the organisational structure is the competency of the Governing Body (FROB), represented by the individuals mentioned in paragraph 1.1.1, with the collaboration of the Entity's Organisational Unit.

The Organisational Unit participates in the definition of the duties of the Management Areas to prevent overlaps between the various areas and these duties are published on the Entity's corporate intranet and it collaborates with the preparation of branch office procedures.

In the particular area of generating financial information, the Units and Departments have operating procedure manuals.

Communications channels: The corporate intranet publishes the organisational chart and the duties of the Management Areas, and the dependent Units and Departments.

- **Code of conduct, approval body, degree of communication and instruction, principles and values included (indicating whether or not there are any specific mentions of the logging of transactions and the preparation of financial information), body responsible for analysing failures to comply and proposing corrective actions and penalties:**

Code of conduct

The Code of Conduct at Unnim Banc is set out in the following documents: ‘Security Document for Unnim Banc, S.A’, ‘Internal Conduct Regulations (ICR)’ as well as in regulations developing the IRC and the "Money Laundering Prevention Policy", and the latter is approved by the Board of Directors of Unnim Banc.

The documents that together make up the Code of Conduct address all Company employees, they are available on the corporate intranet and cover areas of professional behaviour regarding security, anti-trust, market abuse, money laundering, information use and information control measures, in addition to confidentiality, conflicts of interest, etc. There are training courses in the on-line training platform for employees.

- **Whistleblower channel, which allows the Audit Committee to be informed of any financial and accounting irregularities to be reported, in addition to any failures to comply with the code of conduct and irregular activities with respect to the organisation, indicating whether the process is confidential in nature:**

Means of reporting potential crimes.

The habitual channel used to report irregularities of a financial, accounting or other nature is an e-mail to the Audit unit (ofi9014@unnim.cat), as well as the e-mail of the persons responsible for the Departments.

Audit Management informs the Governing Body and the Audit Committee of the types of reports received through the Internal Audit Unit.

- **Training and regular refresher programmes for personnel involved with the preparation and review of financial information, as well as the evaluation of the FRICS, covering at least the accounting, audit, internal control and risk management rules:**

Training programmes

The Entity has implemented a training plan that responds to the training needs detected with respect to all employees so that they can properly carry out their tasks.

The training plan is developed on a centralised basis applying the entity's and the business' strategic lines and, in parallel, the specific or individual needs are covered through Area Management or Human Resource Management.

Unnim Campus is the training platform and knowledge and experience exchange, to which all employees have access. This platform allows just-in-time access to training. Training content is offered on an open basis using virtual trainers and tutors, classroom sessions and practical workshops, in accordance with the needs that are detected and the groups the training addresses.

All of the training organised by Training and Development is recorded in the personal file for each employee.

1.2. Evaluation of financial information risks:

1.2.1 Main characteristics of the risk identification process, including error or fraud:

Risk identification process:

Unnim Banc has control procedures for minimising risks deriving from transaction processing and verification tasks, safeguarding assets and verifying that financial records are backed by the relevant documentary evidence.

The risks of error or omissions when preparing financial information are taken into account when defining and developing the operating procedures for each of the critical areas that have an impact on financial information.

Unnim Banc has identified all of the processes involved in the accounting for asset and liability valuations in which estimates or projections require the application of human judgment to be subject to special control due to the impact on financial information.

1.3. Control activities:

1.3.1 Procedures for reviewing and authorising the financial information and the description of the FRICS to be published in securities markets, indicating the persons responsible, as well as the documentation describing the flow of activities and controls (including those relating to the risk of fraud) for the various types of transactions that may materially affect the financial statements, including the accounting closing procedure and the specific review of relevant judgements, estimates, valuations and projections:

Flows of activities and controls:

Both UnnimBanc and the Group's subsidiaries have identified the main risks of specific errors at the Entity and the material areas of the financial statements.

The majority of the Units at the Entity whose activity has an impact on the financial information have operating procedures manuals that describe the relevant controls that are applied.

The Internal Audit Department maintains a database that describes all of the internal control weaknesses identified during the audits, whether internal or external, that are subject to specific action requirements or recommendations for the persons responsible for their management and this information is used to monitor the implementation of the recommendations made.

The scope of consolidation at Unnim Banc is reviewed manually by the Consolidation Section of the Accounting Department, analysing the balance sheets and shareholdings at both Unnim Banc and in the balance sheets of the subsidiaries.

Once the Accounting Department has carried out an accounting closing, the most relevant financial statements are analysed by the Management Control Department. This analysis reviews the most significant balance sheet and income statement information and the data is compared with other periods in the past. A Management Information document is then generated and it is reviewed by the person responsible for the Control Area. That person verifies that those issues that were handled during the month by the various Committees he/she attends to are reflected in the closing and it coincides with the information provided by the other areas. Based on this management information document a summarised document is obtained that is presented to the Management Committee and the Directors Committee.

1.3.2 Information system internal control policies and procedures (among others, access security, change controls, operation of those controls, operational continuity and segregation of duties) that support the relevant processes at the entity that relate to the preparation and publication of financial information:

Information system internal control policies and procedures:

To access the information systems at Unnim each user has a unique user name associated with a personal password only known by the user. This password complies with certain minimum security requirements and it must be changed regularly. The user name is maintained even after ending employment at Unnim, which allows a historical record to be maintained.

Changes in applications go through three stages, Development, Pre-production (user tests) and Production, which ensures the quality and conformity of the applications. The entire process is automated and controlled by a tool developed for this purpose, which allows a segregation of duties to be maintained with respect to the development personnel, those that validate the application and those that replicate changes among platforms.

Unnim is currently redesigning its Business Continuity Plan, which is a project that is reviewing critical processes and they include the financial data reporting processes, in order to provide a response and operating continuity in the event of a contingency.

In the opinion of the audit firms, the Recovery Strategy that has been implemented is adequate in terms of a Contingency Plan and the associated processes are carried out in an effective manner. It may be stated that the processes that have been implemented to recover the systems are aligned with the best practices existing in the domestic financial sector.

The alternative facilities located in Manlleu allow a second facility to be available 24x7 and it houses redundant systems for those critical areas of the entity. The configuration of the systems and the availability levels mean that Unnim Banc has a facility of optimal quality at which it may recover the systems.

Transfers or migrations of the production environment (transactions, electronic banking, cash machines) take place between the local and remote facilities almost monthly and based on a defined schedule. The performance of these migrations allow for a forecast of unavailability of this environment of approximately 15 minutes and to detect possible improvements in the procedure.

Users may access a set of basic information services in accordance with the office to which they are assigned. To access the remote processes they must have the necessary permission to execute only the assigned tasks, which are reviewed regularly.

1.3.3 Internal control procedures and policies intended to supervise subcontractors, as well as the evaluation, calculation or measurement activities tasked to independent experts that could have a material effect on the financial statements:

Control policies and procedures for activities subcontracted to third parties.

There are not specific procedures to internally supervise the management of valuations subcontracted to independent experts.

However, it should be noted that all the companies subcontracted by Unnim, such as independent experts for evaluations, calculations or valuations, are always of recognised prestige and have the required authorisation from regulatory bodies in each area.

1.4. Information and Communication:

1.4.1 Specific task responsible for defining and updating the accounting policies (accounting policy area or department) and resolving doubts or conflicts deriving from their interpretation, maintaining fluid communications with the persons responsible for operations at the organisation, as well as an up-to-date accounting policy manual that has been communicated to the units through which the entity operates:

The Accounting Department is responsible for defining and updating the accounting policies. These policies are developed by the Regulation Section of the Accounting Department, by experts in the area, with the support of the various offices within the financial area.

The responsibility of approving the accounting policies and judgements falls to the Director of Accounting and the Director of the Control area, in cases where there is a new accounting policy or it is necessary to apply a significant interpretation. These approvals and raised for ratification to the Directors Committee at the FROB.

For these purposes, there are various Accounting Policy manuals relating to the entity's critical processes, although certain judgements may be made by the Financial Management at each subsidiary. In the event of any doubt with respect to the accounting policies to be applied, the Consolidation section in the Accounting Department at Unnim Banc may be consulted.

These manuals are restricted to internal use and are not published on the corporate intranet. The Director of Accounting and the Director of the Control Area are responsible for providing them to the persons concerned, both at the Entity and for Unnim Group accounting when necessary.

All relevant accounting aspects are the subject to consultations from the various areas at the Entity or from the Group’s subsidiaries and the Accounting Unit responds before being applied and recognised in the accounting records.

1.4.2 **Mechanisms for capturing and preparing financial information using uniform formats, applicable and to be used by all units at the Entity or the Group, and support the main financial statements and the notes to the accounts, as well as the information provided regarding the IFRCS.**

Mechanism for capturing and preparing financial information:

The most relevant systems at Unnim Banc that relate to financial information are as follows:

- HOST: uses the two computer platforms that exist (Unnim and ATCA) to provide financial and accounting information for Unnim Banc Group.
- SIRBE and EF: Generic software applications that generate the Bank of Spain statements based on information from HOST.
- MIR- Risk Information Model: a tool installed on the entity's services that accumulate all the information necessary to calculate solvency.
- CAPTURA: tool installed locally to allow the loading and management of the accounting statements to be sent to the Bank of Spain.

Relating to consolidation:

- CONSOLIDA DE CAPTURA: tool to prepare and generate the Consolidated Financial Statements.

Relating to Operating Risk:

- BRO: specific database that allows operating losses to be recorded and segmented by type.

Relating to the Real Estate Asset Area:

- PRINEX: application that allows for the management of foreclosed assets.

Relating to the Treasury Area:

- SGT and AS400: accounting and transaction recognition software.

In addition to those mentioned, sundry folders and processes are used at the department level.

1.5. **Supervision of system operations:**

1.5.1 **FRICS supervision activities carried out by the Audit Committee, and whether the Entity has an internal audit area that is responsible for supporting the committee when supervising the internal control system, including the FRICS.**

A description of the scope of the evaluation of the IFRCS carried out during the year and the procedures used to execute that review and communicate the results obtained, and does the Entity have an action plan that details any corrective measures that make reference to such an evaluation, having taken into consideration its impact on the financial information:

Internal Audit Function:

The multi-year Audit Plan currently in force covers 2010-2013. The Annual Plan deriving from the three-year Plan is submitted for the approval of General Management and the Audit Committee at Unnim Banc, S.A. This plan reports the work to be performed during the year, as well as the monitoring of the multi-year plan currently in force.

All Internal Audit reports are addressed to the persons responsible for the audited departments/areas, as well as to the people to which they report, up to the maximum level of General Management.

On a regular basis, an Audit Activity Report is presented and contains all relevant reports and a summary of those which were not relevant. It is provided to the Audit and Compliance Committee at Unnim Banc, S.A. that serves as the Audit Committee.

Through the use of a specific tool design for this purpose, the Audit Department systematically reviews compliance with the requirements and/or recommendations made in its reports and prepares special monitoring reports for requirements that are provided to all of the levels mentioned above.

FRICS Evaluation:

The FRICS evaluation has been carried out taking into account the verification and validation work performed by Internal Audit and the External Audit.

It should be noted that both the Units and Management at Unnim Banc, and the Group's subsidiaries that have an impact on financial information habitually apply measures to control the reporting of financial information (policies, procedures, applications, etc.) and continuously self-review.

1.5.2 Is there a discussion procedure through which the auditor (in accordance with the provisions of the NTA), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed. Report if you have an action plan that is intended to correct or mitigate detected weaknesses.

See section 1.5.1

All relevant weaknesses detected by Internal Audit and set out in its reports and have at least one requirement mean that the audited area must present an action plan for corrective action. Internal Audit regularly monitors the implementation of the action plans and reports on their status to the Audit Committee.

Internal control weaknesses and incidents identified by External Audit, and any recommendations for improvement, within the scope and development of the audit work performed on the annual accounts are reported to the persons responsible for the affected area, the management of the entity, the governing body of Unnim Banc and the Audit Committee, in due time and form, at meetings and regular presentations regarding the status of the work. Furthermore, if there are weaknesses or incidents that are considered to be relevant, their impact and effect on the audit opinion is evaluated and expressed in the Recommendation Report, which also normally includes action plans and mitigation measures applied by the Entity's management.

1.6. Other relevant information

See Section 1.7.

1.7. Report from the external auditor

If the information regarding the IFRICS that is sent to markets been subjected to review by the external auditor, in which case the relevant report should be included as an Appendix. If not, the reason for not doing this should be explained.

The FRICS information has not been submitted for the review of the external auditor in 2011, basically as a result of the restructuring process Unnim Banc is involved in, as is described in section 1.1.1 of this document.

This report has been prepared exclusively under the context of the requirements established by Law 24/2003 (28 July) on the Stock Market, as amended by Law 2/2011 (4 March) on Sustainable Economy and the provisions of the draft Circular Document dated 26 October 2011 published by the National Stock Market Commission for the purposes of describing the FRICS in Annual Corporate Governance Reports.