<u>BANCO COOPERATIVO ESPAÑOL AND SUBSIDIARIES</u>

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

Consolidated annual accounts authorised by the Board of Directors of ***Banco Cooperativo Español, S.A***.
at their meeting held on 24 February 2010

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

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

Auditors' Report on the Consolidated Annual Accounts

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

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

We have audited the consolidated annual accounts of Banco Cooperativo Español, S.A. (hereinafter the Bank) and subsidiaries (hereinafter the Group), which comprise the consolidated balance sheet at 31 December 2009, the related consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of total changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto, the preparation of which is the responsibility of the Bank's board of directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating their overall presentation as well as the appropriateness of the accounting principles used and the reasonableness of the estimates made.

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2009 also include, for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of total changes in equity and consolidated statement of cash flows and the notes thereto, comparative figures for the previous year. We express our opinion solely on the consolidated annual accounts for 2009. On 13 April 2009 we issued our unqualified audit report on the consolidated annual accounts for 2008.

In our opinion, these consolidated annual accounts for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of Banco Cooperativo Español, S.A. and subsidiaries at 31 December 2009, and the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with the International Financial Reporting Standards adopted by the European Union applied on a basis consistent with that of the preceding year.

The accompanying consolidated directors' report for 2009 contains such explanations as the directors of the Bank consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2009. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Banco Cooperativo Español, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Julio Álvaro Esteban
Partner

5 April 2010

Consolidated balance sheets at 31 December 2009 and 2008 (Notes 1 to 4)

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

(in thousands of Euros) ASSETS	NOTE	2009	2008(*)
1. CASH AND BALANCES WITH CENTRAL BANKS	5	1,147,071	751,468
2. FINANCIAL LIABILITIES HELD FOR TRADING	6	2,916,359	1,847,432
2.1. Loans and advances to credit institutions		-	-
2.2. Loans and advances to other debtors		-	-
2.3. Debt securities		2,568,093	1,656,462
2.4. Equity instruments		11,337	11,412
2.5. Trading derivatives		336,929	179,558
Memorandum item: Loaned or pledged		658,434	1,133,696
3. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
3.1. Loans and advances to credit institutions		-	-
3.2. Loans and advances to other debtors		-	-
3.3. Debt securities		-	-
3.4. Equity instruments		-	-
Memorandum item: Loaned or pledged		-	-
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	1,758,636	1,141,103
4.1. Debt securities		1,746,678	1,125,718
4.2. Equity instruments		11,958	15,385
Memorandum item: Loaned or pledged		329,686	720,935
5. LOANS AND RECEIVABLES	8	5,742,195	4,616,503
5.1. Loans and advances to credit institutions		5,062,676	4,256,494
5.2. Loans and advances to other debtors		679,519	360,009
5.3. Debt securities		-	-
Memorandum item: Loaned or pledged		-	-
6. HELD-TO-MATURITY INVESTMENTS		-	-
Memorandum item: Loaned or pledged		-	-
7. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
8. HEDGING DERIVATIVES		-	-
9. NON-CURRENT ASSETS HELD FOR SALE		-	-
10. EQUITY INVESTMENTS	9	13,390	14,775
10.1. Associates		13,390	14,775
10.2. Jointly-controlled entities		-	-
11. INSURANCE CONTRACTS LINKED TO PENSIONS		-	-
12. TANGIBLE ASSETS, REINSURANCE ASSETS		-	-
13. TANGIBLE ASSETS	10	17,439	17,578
13.1. Tangible assets		17,439	17,578
13.1.1. For own use		17,439	17,578
13.1.2. Leased out under operating leases		-	-
13.1.3. Assigned to welfare projects (savings banks and credit cooperatives)		-	-
13.2. Investment properties		-	-
Memorandum item: Acquired under a financial lease		-	-
14. INTANGIBLE ASSETS	11	1,946	1,910
14.1. Goodwill		-	-
14.2. Other intangible assets		1,946	1,910
15. TAX ASSETS	18	1,930	1,942
15.1. Current		428	1,048
15.2. Deferred		1,502	894
16. OTHER ASSETS	13	63,920	61,182
16.1. Inventories		-	13
16.2. Other		63,920	61,169
TOTAL ASSETS		**11,662,886**	**8,453,893**

LIABILITIES AND EQUITY	NOTE	2009	2008(*)
LIABILITIES			
1. FINANCIAL LIABILITIES HELD FOR TRADING	6	372,920	228,996
1.1. Deposits from central banks		-	-
1.2. Deposits from credit institutions		31,017	44,460
1.3. Deposits from other creditors		-	-
1.4. Debt certificates including bonds		-	-
1.5. Trading derivatives		341,903	184,536
1.6. Short positions		-	-
1.7. Other financial liabilities		-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
2.1. Deposits from central banks		-	-
2.2. Deposits from credit institutions		-	-
2.3. Deposits from other creditors		-	-
2.4. Debt certificates including bonds		-	-
2.5. Subordinated liabilities		-	-
2.6. Other financial liabilities		-	-
3. FINANCIAL LIABILITIES AT AMORTISED COST	12	10,985,659	7,973,673
3.1. Deposits from central banks		1,435,454	1,077,963
3.2. Deposits from credit institutions		5,642,861	4,662,252
3.3. Deposits from other creditors		2,317,957	2,102,739
3.4. Debt certificates including bonds		1,555,078	100,909
3.5. Subordinated liabilities		20,605	20,682
3.6. Other financial liabilities		13,704	9,128
4. CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
5. HEDGING DERIVATIVES		6,103	-
6. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-	-
7. LIABILITIES UNDER INSURANCE CONTRACTS		-	-
8. PROVISIONS	14	493	542
8.1. Provisions for pensions and similar obligations		-	-
8.2. Provisions for taxes and other legal contingencies		-	-
8.3. Provisions for contingent exposures and commitments		493	542
8.4. Other provisions		-	-
9. TAX LIABILITIES	18	5,796	6,098
9.1. Current		2,510	3,373
9.2. Deferred		3,286	2,725
10. WELFARE FUNDS		-	-
11. OTHER LIABILITIES	13	16,173	19,452
12. CAPITAL REIMBURSABLE ON DEMAND		-	-
TOTAL LIABILITIES		**11,387,054**	**8,228,761**
EQUITY			
1. SHAREHOLDERS' EQUITY		272,153	222,726
1.1. Share capital or assigned capital	16	77,455	72,938
1.1.1. Registered		90,998	72,938
1.1.2. Less: Uncalled capital (-)		13,543	-
1.2. Share premium		85,948	49,008
1.3. Reserves	17	97,212	89,007
1.3.1. Accumulated reserves (losses)		92,446	86,815
1.3.2. Reserves (losses) of entities accounted for using the equity method		4,766	2,192
1.4. Other equity instruments		-	-
1.4.1. Equity component of compound financial instruments		-	-
1.4.2. Non-voting equity units and associated funds		-	-
1.4.3. Other equity instruments		-	-
1.5. *Less: Treasury shares*		-	-
1.6. Profit for the year attributed to the parent company	17	14,538	14,773
1.7. Less: Dividends and remuneration	3	(3,000)	(3,000)
2. VALUATION ADJUSTMENTS	15	3,432	2,120
2.1. Available-for-sale financial assets		3,351	2,039
2.2. Cash flow hedges		-	-
2.3. Hedges of net investments in foreign operations		-	-
2.4. Exchange differences		-	-
2.5. Non-current assets held for sale		-	-
2.6. Entities accounted for using the equity method		81	81
2.7. Other valuation adjustments		-	-
3. MINORITY INTERESTS		247	286
3.1. Valuation adjustments		-	-
3.2. Other		247	286
TOTAL EQUITY		**275,832**	**225,132**
TOTAL LIABILITIES AND EQUITY		**11,662,886**	**8,453,893**
MEMORANDUM ITEM			
1. CONTINGENT EXPOSURES	19	73,467	78,662
2. CONTINGENT COMMITMENTS	19	136,138	154,542

Notes 1 to 35 and Appendices I to III to the accompanying consolidated annual accounts form an integral part of the consolidated balance sheet at 31 December 2009.

(*) Presented solely and exclusively for comparison purposes

Consolidated income statements for the years ended 31 December 2009 and 2008 (Notes 1 to 4)
(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish version prevails)

(in thousands of Euros)	NOTE	2009	2008(*)
1. INTEREST AND SIMILAR INCOME	23	193,202	302,663
2. INTEREST EXPENSE AND SIMILAR CHARGES	24	163,109	280,623
3. EQUITY REFUNDABLE ON DEMAND		-	-
A) INTEREST MARGIN		30,093	22,040
4. DIVIDEND INCOME	25	1,049	765
5. SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	26	(13)	2,850
6. FEE AND COMMISSION INCOME	27	26,256	34,835
7. FEE AND COMMISSION EXPENSE	28	15,226	20,449
8. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	29	3,157	876
8.1. Held for trading		1,309	121
8.2. Other financial instruments at fair value through profit or loss		-	-
8.3. Financial instruments not carried at fair value through profit or loss		1,848	755
8.4. Other		-	-
9. EXCHANGE DIFFERENCES (NET)	29	249	426
10. OTHER OPERATING INCOME		2,951	3,420
10.1. Insurance and reinsurance income		-	-
10.2. Sales and income from the provision of non-financial services		2,736	3,052
10.3. Other operating income		215	368
11. OTHER OPERATING EXPENSES		131	236
11.1 Insurance and reinsurance expenses		-	-
11.2. Changes in inventories		-	-
11.3. Other operating expenses	1(h)	131	236
B) GROSS MARGIN		48,385	44,527
12. ADMINISTRATIVE EXPENSES		22,912	22,679
12.1. Personnel expenses	30	14,671	13,593
12.2. Other administrative expenses	31	8,241	9,086
13. AMORTISATION AND DEPRECIATION	10, 11	1,712	1,522
14. PROVISIONING EXPENSE (NET)	35	(38)	112
15. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	35	3,746	99
15.1. Loans and receivables		3,262	88
15.2. Other financial instruments not carried at fair value through profit or loss		484	11
C) PROFIT ON OPERATING ACTIVITIES		20,053	20,115
16. IMPAIRMENT LOSSES ON OTHER ASSETS (NET)		-	-
16.1. Goodwill and other intangible assets		-	-
16.2. Other assets		-	-
17. GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE		(44)	(12)
18. NEGATIVE DIFFERENCES ON BUSINESS COMBINATIONS		-	-
19. GAINS/(LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS		-	-
D) PROFIT BEFORE TAX		20,009	20,103
20. INCOME TAX	18	5,380	4,999
21. MANDATORY TRANSFER TO WELFARE FUNDS		-	-
E) PROFIT FROM CONTINUING OPERATIONS		14,629	15,104
22. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (NET)		-	-
F) CONSOLIDATED PROFIT FOR THE YEAR		14,629	15,104
F.1) Profit attributed to the Parent company	17	14,538	14,773
F.2) Profit attributed to minority interests		91	331
Earnings per share (Euros)		9,60	12,17

Notes 1 to 35 and Appendices I to III to the accompanying consolidated annual accounts form an integral part of the consolidated income statements for 2009.
(*) Presented solely and exclusively for comparison purposes

Consolidated income statements for the years ended 31 December 2009 and 2008 (Notes 1 to 4)
(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish version prevails)

(in thousands of Euros)	NOTE	2009	2008(*)
A) CONSOLIDATED PROFIT FOR THE YEAR		14,629	15,104
B) OTHER RECOGNISED INCOME AND EXPENSES		1,312	932
1. Available-for-sale financial assets	15	1,876	1,534
1.1. Revaluation gains/(losses)		4,883	2,263
1.2. Amounts transferred to the income statement		(3,007)	(729)
1.3. Other reclassifications		-	-
2. Cash flow hedges		-	-
2.1. Revaluation gains/(losses)		-	-
2.2. Amounts transferred to the income statement		-	-
2.3. Amounts transferred to the initial carrying amount of hedged items		-	-
2.4. Other reclassifications		-	-
3. Hedges of net investments in foreign operations		-	-
3.1. Revaluation gains/(losses)		-	-
3.2. Amounts transferred to the income statement		-	-
3.3. Other reclassifications		-	-
4. Exchange differences		-	-
4.1. Revaluation gains/(losses)		-	-
4.2. Amounts transferred to the income statement		-	-
4.3. Other reclassifications		-	-
5. Non-current assets held for sale		-	-
5.1. Revaluation gains/(losses)		-	-
5.2. Amounts transferred to the income statement		-	-
5.3. Other reclassifications		-	-
6. Actuarial gains/(losses) on pension plans		-	-
7. Entities accounted for using the equity method	15	-	(143)
		-	(143)
7.1. Revaluation gains/(losses)		-	-
7.2. Amounts transferred to the income statement		-	-
7.3. Other reclassifications		-	-
8. Other recognised income and expenses			
9. Income tax		(564)	(459)
C) TOTAL RECOGNISED INCOME AND EXPENSES (A+B)		15,941	16,036
C 1) Attributed to the parent company	16	15,850	15,705
C 2) Attributed to minority interests	16	91	331

Notes 1 to 35 and Appendices I and III to the accompanying consolidated annual accounts form part of the consolidated statement of recognised income and expenses at 31 December 2009.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2009 and 2008 (Notes 1 to 4)

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

	Share capital	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities accounted for using the equity method	Other equity instruments	Less: Treasury shares	Profit attributed to the Parent company	Less: Dividends and remuneration	Total shareholders' equity	Valuation adjustments	TOTAL	Minority interests	TOTAL EQUITY
1. Closing balance at 31 December 2007	72,938	49,008	71,956	956	-	-	19,094	-	213,952	1,188	215,140	335	215,475
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	72,938	49,008	71,956	956	-	-	19,094	-	213,952	1,188	215,140	335	215,475
3. Total recognised income and expenses	-	-	-	-	-	-	14,773	-	14,773	932	15,705	331	16,036
4. Other changes in equity	-	-	14,858	1,236	-	-	(19,094)	(3,000)	(6,000)	-	(6,000)	(380)	(6,380)
4.1 Increases in share capital/assigned capital (b)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4 Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities into other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments as financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends/shareholder remuneration (c)	-	-	-	-	-	-	(3,000)	(3,000)	(6,000)	-	(6,000)	(380)	(6,380)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	14,858	1,236	-	-	(16,094)	-	-	-	-	-	-
4.10 Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretional contributions to welfare funds (savings banks and credit cooperatives only)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity-settled payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13 Other equity increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Closing balance at 31 December 2008	72,938	49,008	86,815	2,192	-	-	14,773	(3,000)	222,726	2,120	224,846	286	225,132

Notes 1 to 35 and Appendices I to III to the accompanying consolidated annual accounts form part of the consolidated statement of total changes in equity at 31 December 2009.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY for the years ended 31 December 2009 and 2008 (Notes 1 to 4)

(in thousands of Euros)	Share capital	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities accounted for using the equity method	Other equity instruments	Less: Treasury shares	Profit attributed to the Parent company	Less: Dividends and remuneration	Total shareholders' equity	Valuation adjustments	TOTAL	Minority interests	TOTAL EQUITY
1. Closing balance at 31 December 2008	72,938	49,008	86,815	2,192	-	-	14,773	(3,000)	222,726	2,120	224,846	286	225,132
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	72,938	49,008	86,815	2,192	-	-	14,773	(3,000)	222,726	2,120	224,846	286	225,132
3. Total recognised income and expenses	-	-	-	-	-	-	14,538	-	14,538	1,312	15,850	91	15,941
4. Other changes in equity	4,517	36,940	5,631	2,574	-	-	(14,773)	-	34,889	-	34,889	(130)	34,759
4.1 Increases in share capital/assigned capital (b)	4,517	36,940	-	-	-	-	-	-	41,457	-	41,457	-	41,457
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4 Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities into other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments as financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends/shareholder remuneration (c)	-	-	-	-	-	-	(3,000)	(3,000)	(6,000)	-	(6,000)	(130)	(6,130)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	5,629	3,144	-	-	(11,773)	3,000	-	-	-	-	-
4.10 Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretional contributions to welfare funds (savings banks and credit cooperatives only)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity-settled payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13 Other equity increases/(decreases)	-	-	2	(570)	-	-	-	-	(568)	-	(568)	-	(568)
5. Closing balance at 31 December 2009	77,455	85,948	92,446	4,766	-	-	14,538	(3,000)	272,153	3,432	275,585	247	275,832

Notes 1 to 35 and Appendices I to III to the accompanying consolidated annual accounts form part of the consolidated statement of total changes in equity at 31 December 2009.
(*) Presented solely and exclusively for comparison purposes

CONSOLIDATED CASH FLOW STATEMENTS for the years ended 31 December 2009 and 2008 (Notes 1 to 4)

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

(in thousands of Euros)	NOTE	2009	2008(*)
A). CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		372,804	(1,866,775)
1. Consolidated profit for the year		14,629	15,104
2. Adjustments to obtain cash flows from operating activities		10,838	3,894
2.1. Amortisation and depreciation	**10,11**	1,712	1,522
2.2. Other adjustments		9,126	2,372
3. Net increase/ decrease in operating assets		2,814,586	1,821,946
3.1. Financial assets held for trading	**6**	1,068,927	427,874
3.2. Other financial assets at fair value through profit or loss		-	-
3.3. Available-for-sale financial assets	**7**	616,221	140,545
3.4. Loans and receivables	**8**	1,129,438	1,253,527
3.5. Other operating assets		-	-
4. Net increase/(decrease) in operating liabilities		3,161,923	(59,871)
4.1. Financial liabilities held for trading	**6**	143,924	(103,547)
4.2. Other financial liabilities at fair value through profit or loss		-	-
4.3. Financial liabilities at amortised cost	**12**	3,011,986	43,676
4.4. Other operating liabilities		6,013	-
5. Income tax payments	**18**	(6,892)	(3,956)
B) CASH FLOWS USED IN INVESTING ACTIVITIES		(2,950)	(17,565)
6. Payments		4,335	17,565
6.1. Tangible assets	**10**	477	688
6.2. INTANGIBLE ASSETS	11	1,132	1,692
6.3. Equity investments		-	1,402
6.4. Other business units		-	-
6.5. Non-current assets and associated liabilities held for sale		-	-
6.6. Held-to-maturity investments		-	-
6.7. Other payments relating to investing activities		2,726	13,783
7. Collections		1,385	-
7.1. Tangible assets		-	-
7.2. Intangible assets		-	-
7.3. Equity investments	**9**	1,385	-
7.4. Other business units		-	-
7.5. Non-current assets and associated liabilities held for sale		-	-
7.6. Held-to-maturity investments		-	-
7.7. Other payments relating to investing activities		-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		25,749	5,168
8. Payments		15,708	6,380
8.1. Dividends	**3,16**	6,130	6,380
8.2. Subordinated liabilities		-	-
8.3. Redemption of own equity instruments		-	-
8.4. Acquisition of own equity instruments		-	-
8.5. Other payments relating to financing activities	**12**	9,578	-
9. Collections		41,457	11,548
9.1. Subordinated liabilities		-	10,007
9.2. Issuance of own equity instruments	**6**	41,457	-
9.3. Disposal of own equity instruments		-	-
9.4 Other collections relating to financing activities		-	1,541
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		395,603	(1,879,172)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		751,468	2,630,640
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,147,071	751,468
MEMORANDUM ITEM			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**5**		
1.1. Cash		439	448
1.2. Cash equivalents at central banks		1,146,632	751,020
1.3. Other financial assets		-	-
1.4. Less: Bank overdrafts repayable on demand		-	-
Total cash or cash equivalents at end of the year		1,147,071	751,468

Notes 1 to 35 and Appendices I to III to the accompanying consolidated annual accounts form part of the consolidated statement of cash flows at 31 December 2009.
(*) Presented solely and exclusively for comparison purposes

1. <u>Introduction, basis of presentation, consolidation principles and other information</u>

a) Introduction

Banco Cooperativo Español, S.A. (hereinafter the Bank or the Entity) is a private-law entity subject to the rules and regulations applicable to banks operating in Spain.

The Bank was incorporated on 31 July 1990. The share capital of the Bank is held by seventy-two Spanish credit cooperatives and a German bank. The Bank operates from two offices in Madrid.

The Bank contributes to the Deposit Guarantee Fund (created by Royal Decree Law 18 of 24 September 1982). It has also been entered in the Bank of Spain's Special Registry of Banks and Bankers with number 0198**.**

The Bank is the parent company of a group of financial entities that engage in various business activities, which it controls directly or indirectly and with which it forms the Banco Cooperativo Group (hereinafter the Group). After harmonisation of accounting principles, adjustments and consolidation eliminations, the Bank represents 99.83% and 99.91% of the Group's total assets at 31 December 2009 and 2008, respectively. It is therefore obliged to prepare the Group's consolidated annual accounts, in addition to its own individual annual accounts.

The balance sheets of Banco Cooperativo Español S.A at 31 December 2009 and 2008 and the corresponding income statements, statements of recognised income and expense, statements of changes in equity and cash flow statements for the years then ended are presented in Appendix I.

b) Basis of presentation of the consolidated annual accounts

The consolidated annual accounts of the Bank and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS), taking into consideration Bank of Spain Circular 4 of 22 December 2004, amended by Circular 6 of 26 November 2008.

The Group's consolidated annual accounts have been prepared by the Bank's directors to present fairly the consolidated equity and consolidated financial position at 31 December 2009 as well as the results of its operation, the changes in consolidated equity and consolidated cash flows for the year then ended.

These consolidated annual accounts have been prepared on the basis of the individual accounting records of the Entity and each of the subsidiaries which, together with the Entity, form the Group. The consolidated annual accounts include certain adjustments and reclassifications necessary to harmonise accounting principles and presentation followed by the companies forming the Group with those followed by the Entity. The directors of the Entity consider that the consolidated annual accounts for 2009, the individual accounts of the Bank and of the subsidiary companies will be approved by the shareholders at their respective annual general meetings without any significant changes.

The consolidated annual accounts for 2008 were approved by the shareholders at their annual general meeting held on 27 May 2009.

c) ***Significant accounting principles***

The generally accepted accounting principles and measurement criteria described in the note on significant accounting principles were followed in the preparation of the consolidated annual accounts. There are no mandatory accounting principles which have not been applied that would have a significant effect on preparation of the consolidated annual accounts.

The following standards and interpretations adopted by the European Union and the Group entered into force in 2009, with no significant impact on the consolidated annual accounts:

- *IFRS 8 Operating Segments:* This standard establishes information requirements concerning the operating segments of an entity and revokes IAS 14. The main amendment in the new standard is associated with the IFRS 8 requirement for entities to adopt the management approach when reporting on the financial performance of their business segments. The information to be reported generally comprises that used internally by management to evaluate segment performance and allocate resources.

- *Amendment to IAS 23 Borrowing Costs*: The main change in the revised version of IAS 23 is the elimination of the option of immediate recognition as an expense of borrowing costs that relate to assets that take a substantial period of time to be made ready for use or sale

- *Amendment to IFRS 2 Share-based Payment:* The amendment to IFRS 2 aims to clarify vesting conditions and cancellations of share-based payments.

- *IFRIC 13 Customer Loyalty Programmes interpretation:* This interpretation specifies the recognition criteria for certain loyalty award credits granted to customers, entitling them to discounts on future acquisitions of products or services.

- *IFRIC 14, on the scope of application of IAS 19, interpretation:* provides general guidance to ascertain the limit in IAS 19 Employee Benefits regarding the amount of the excess that can be recognised as an asset. This interpretation also explains how pension assets and liabilities can be affected when there is a statutory or contractual minimum funding requirement, and requires an entity to recognise an additional liability when it is contractually obliged to make additional contributions to the plan, with a limited possibility of recovering such contributions.

- *Amendments to IAS 32 Financial Instruments and IAS 1 Presentation of Financial Statements:* This amendment refers to the classification of certain financial instruments issued. While the characteristics of these instruments could indicate that they represent a residual interest in the entity, based on the current IAS 32 they should be classified as financial liabilities as they are redeemable, amongst other characteristics. The amendment enables some of these financial instruments to be classified as equity, provided that certain requirements are met; for example, the instrument should represent a residual interest in the net assets of the entity and should be more subordinated.

- *Amendment to IFRS 7 Financial Instruments – Disclosures:* This amendment expands upon certain fair value measurement and liquidity risk disclosures. The most relevant issue in the first case is the requirement to disclose financial instruments measured at fair value in accordance with the measurement hierarchy.

- *Amendment to IFRIC 9 AND IAS 39 Embedded Derivatives:* The amendment clarifies that on reclassification of a financial asset initially classified fair value through profit or loss the entity should identify any embedded derivative and should separate this from the host contract. The host financial instrument can only be reclassified if the embedded derivative can be measured separately.

At the date of preparation of these consolidated annual accounts certain new standards have been adopted by the European Union, which will enter into force for the Group in 2010. The directors do not consider that application of these standards will have a significant impact on the consolidated financial position of the Group:

- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement* This amendment aims to clarify two specific hedge accounting issues: (a) when inflation risk can be hedged and (b) under what circumstances options purchased can be designated as hedges. The amendment specifies that inflation risk can only be hedged to the extent that it is a contractually identified portion of the cash flows to be hedged, and that only the intrinsic value of the options, not the time value, can be designated as a hedging instrument.

- *Amendment to IAS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements:* These amendments introduce changes to various aspects relating to recognition of business combinations, generally placing greater emphasis on fair value measurement. The most relevant changes acquisition will be accounted for as an expense, rather than as an increase in the cost of the business combination; in business combinations achieved in stages, on the date control is obtained the acquirer should remeasure at fair value the interest previously held; the option to measure minority interests in acquirees at fair value, rather than reflecting the proportionate interest in the fair value of the net assets acquired, as is currently the case.

- *IFRIC 12 Service Concession Arrangements interpretation:* This interpretation specifies how to recognise the obligations and rights of a private entity that obtains a contract to supply public services.

- *IFRIC 15 Agreements for the Construction of Real Estate interpretation:* This interpretation stipulates when to recognise revenue from real estate sales, depending on whether the sale is subject to a construction contract or whether the revenue is generated on the sale of goods or the rendering of services.

- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation interpretation:* This interpretation specifies the nature of the hedged risk and the amount of the hedged item in order to establish a hedging relationship, in cases in which the Parent company maintains direct ownership or indirect interest through subsidiaries.

- *IFRIC 17 Distributions of Non-cash Assets to Owners interpretation:* This interpretation considers the accounting treatment of distributions of assets other than cash when an entity pays dividends to its owners, although distributions of assets within the group or amongst entities under common control are not addressed. According to this interpretation, an entity should measure the dividend payable at the fair value of the net assets to be distributed and recognise any difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

- *IFRIC 18 Transfers of Assets from Customers interpretation:* This interpretation clarifies the recognition of transfers of property, plant and equipment from customers, or of cash to acquire or build property, plant and equipment.

- *Amendment to IAS 32 Classification of rights issues* Rights issued to acquire a fixed number of shares (rights, options or warrants) denominated in foreign currency for a fixed amount are considered as equity instruments, irrespective of the currency of the fixed amount and provided that other requirements of this standard are met.

Details of the standards and interpretations not yet adopted by the European Union, and the foreseen adoption date by the Group, in line with the statutory application date for this standard, are as follows. The impact of the application of these standards has not yet been evaluated.

- *Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (1 January 2013):* The application of IFRIC 14 required, in certain circumstances, the prepayment of minimum funding requirements for a defined benefit plan to be recognised as an expense. This amendment would eliminate this requirement, Such prepayments will now be treated in the same way as any other prepayment and therefore recognised as an asset.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (1 July 2010):* This interpretation addresses the accounting by the debtor entity when that entity issues equity instruments to a creditor to extinguish all or part of the financial liability. . The interpretation does not apply to these types of operations when the creditor is also a shareholder or related party and is acting in this capacity, or when the extinguishment of the financial liability by issuing equity shares is in accordance with the terms of the original contract. In this case, the equity instruments issued are measured at fair value at the date the liability is extinguished and any differences between that amount and the carrying amount of the liability is recognised in profit and loss.

- *Amendment to IFRS 2 Share-based Payment (1 January 2010):* On occasions, share-based payments are not settled by the entity receiving the goods or services but by the Parent company or another Group entity. The proposed amendment states that, even in these cases, the entity receiving the goods should recognise this transaction no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in cash or in shares.

- *Revised IAS 24 Related Party Disclosures (1 January 2011):* This stipulates the requirements for disclosure of related parties in the financial statements, providing an exemption from . disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state or equivalent government institution, and amending the definitions of a related party to clarify certain relations not explicitly encompassed in the standard previously.

- *IFRS 9 Financial Instruments (1 January 2013):* This standard will replace the clarification and current valuation principle set forth in IAS 39. and contain certain relevant differences compared to the current standard, including the approval of the new classification model comprising just two categories, amortised cost and fair value. The held-to-maturity investments and available-for-sale financial assets categories currently in IAS 39 are not included in IFRS 9. Furthermore, impairment testing will only be applicable to assets measured at amortised cost and embedded derivatives will no longer be separated from host contracts.

d) Judgments and estimates used

In the Group's consolidated annual accounts for 2009 estimates were made by the senior management of the Group, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (notes 7 and 8)
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and commitments (note 2 m).
- The useful lives of tangible and intangible assets (notes 10 and 11)
- The measurement of goodwill arising on consolidation (note 9)
- The fair value of certain financial assets not quoted on official markets (notes 6 and 7)
- Estimates used in the calculation of other provisions (note 14)
- Calculation of income tax and deferred tax assets and liabilities (note 18)

The above-mentioned estimates are based on the best information available at 31 December 2009 regarding the analysed events. However, possible events arising in the future could require these estimates to be significantly increased or decreased in coming years. Any required modifications would be made prospectively in accordance with EU-IFRS, recognising the effect of the change in estimates in the consolidated income statement in the year in which they arise.

e) Consolidation principles

The following accounting principles and measurement criteria, which reflect those set out in EU-IFRS, have been used in the preparation of the consolidated annual accounts of the Group for 2009:

I. Subsidiaries

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

The annual accounts of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all material balances and transactions between consolidated entities and between consolidated entities and the Bank are eliminated on consolidation.

On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognised at fair value at the date of acquisition. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognised as goodwill. Negative differences are charged to income on the date of acquisition.

Third party interests in the Group's equity are presented under minority interests in the consolidated balance sheet and their share of the profit for the year is presented under profit attributed to minority interests in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year end.

II. Interests in joint ventures

Joint ventures are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities (venturers) undertake a business activity which is subject to joint control so as to share the power to govern the financial and operating policies of an entity, or another business activity, in order to benefit from its operations. Therefore, any strategic financial or operating decision affecting the joint venture requires the unanimous consent of the venturers.

The financial statements of investees classified as joint ventures are proportionately consolidated with those of the Bank and, therefore, the aggregation of balances and subsequent eliminations are carried out only in proportion to the Group's ownership interest in the capital of these entities.

III. Associates

Associates are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting rights of the investee.

In the consolidated annual accounts, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits or losses are eliminated to the extent of the Group's interest in the associate.

Relevant information on subsidiaries and associates are shown in Appendix II.

f) Comparison of information

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2009 also include, for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto, comparative figures for the previous year.

g) Capital management objectives, policies and processes

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

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

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

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

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

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

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

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

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

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

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

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

The minimum capital requirements established by the aforementioned Circular are calculated based on the Group's exposure to credit and dilution risk (based on the assets, commitments and other off-balance sheet items associated with these risks, and in line with their amounts, characteristics, counterparties, guarantees, etc.), counterparty, position and settlement risk relating to items held for trading, exchange rate risk and gold position (based on the global net position in foreign currency and the net position in gold) and operational risk. The Group is also required to comply with the risk concentration limits set out in the Circular and with internal corporate governance, capital self-assessment and interest rate risk measurement obligations, as well as obligations regarding public information to be issued to the market, also specified in the aforementioned Circular. To guarantee that these objectives are met, the Group has implemented an integrated risk management process based on the above-mentioned policies.

Details of Group capital at 31 December 2009 and 2008 classified as tier I capital and tier II capital, calculated in accordance with Bank of Spain Circular 3 of 22 May 2008, which, as mentioned previously, reflects consolidated "capital for management purposes", are as follows:

	Thousands of Euros	
	2009	**2008**
Share capital	77,455	72,938
Reserves	183,894	143,506
Deductions	(3,501)	(3,723)
Tier 1 capital	**257,848**	**212,721**
Asset revaluation reserves	4,455	4,456
Subordinated financing	8,115	12,230
Other resources	8,411	4,865
Deductions	(928)	(1,188)
Other eligible capital	**20,053**	**20,363**
Total eligible capital	**277,901**	**233,084**

At 31 December 2009 and 2008, and during both years, the eligible capital of the Group and the Group entities subject to this requirement, considered on an individual basis, exceeded the requirements of the aforementioned Circular.

h) Deposit Guarantee Fund

The Bank participates in the Deposit Guarantee Fund. The contributions made to this fund in 2009 amounted to approximately Euros 79 thousand (Euros 86 thousand in 2008) and have been recognised under other operating expenses – remaining operating expenses in the accompanying consolidated income statement.

i) Environmental impact

In view of the business activity carried out by the Group, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or consolidated results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

j) Subsequent events

, Through the Ministry of Economy and Finance Order of 30 September 2009 the General State Administration approved, a state guarantee, with a charge to the General State Budgets for 2009, for Banco Cooperativo Español, S.A., as the managing entity of a group of entities comprising the Bank and its shareholder rural savings banks. This guarantee is for fixed-income issues of up to Euros 1,795 million (in addition to the Euros 2,797 million extended with a charge to the 2008 General Budgets), pursuant to Ministry of Economy and Finance Order EHA/3364/2008 of 21 November 2008, which enacts article 1 of Royal Decree 7 of 13 October 2008 on urgent economic-financial measures regarding the agreed action plan for Euro area countries.

As authorised by the shareholders at their general meeting held on 27 June 2007, the Bank's board of directors, at its meeting held on 27 August 2009, in addition to agreement at the meeting of 17 December 2008, approved the fixed-income security issue programme encompassing the issues guaranteed by the Spanish State under aforementioned Royal Decree 7/2008.

On 22 January 2010 the Bank carried out its third issue of State-guaranteed bonds (guaranteed by the 2009 General State Budgets) totalling Euros 900 million, which was fully subscribed.

In relation to the share capital increase in April 2009 and in execution of the board of directors agreement of 27 January 2010, on 15 February 2010 the shareholders of the Bank paid up called share capital totalling Euros 13,543 thousand, and the share capital of the Bank is therefore subscribed and fully paid at the date of preparation of the accompanying annual accounts.

2. Significant Accounting Principles

The accounting principles and policies and measurement bases applied in preparing the Group's consolidated annual accounts are as follows:

a) Definitions and classification of financial instruments

I. Definitions

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

An equity instrument is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A financial derivative is a financial instrument whose value varies in response to the change in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price or market index), whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

Hybrid financial instruments are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

Compound financial instruments are contracts that simultaneously create for their issuer a financial liability and an own equity instrument (such as convertible bonds, which entitle their holders to convert them into equity instruments of the issuer).

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in associates (see note 9)

- Rights and obligations under employee benefit plans (see note 2-m)

- Rights and obligations under insurance contracts

II. Classification of financial assets for measurement purposes

Financial assets are generally included for measurement purposes in one of the following categories:

- Financial assets at fair value through profit and loss
    - Financial assets held for trading: this category includes financial assets acquired for the purpose of generating a profit in the short term from fluctuations in their prices and financial derivatives that are not designated as hedging instruments.

- Other financial assets at fair value through profit or loss: comprising financial assets designated as such on initial recognition for which the fair value can be reliably estimated and which meet at least one of the following conditions:

  - In the case of hybrid financial instruments in which it is obligatory to separate the embedded derivative from the host contract, or it is not possible to reliably estimate the fair value of the embedded derivative or derivatives.

  - In the case of hybrid financial instruments for which the embedded derivative must be bifurcated, the hybrid financial instrument as a whole has been classified in this category on initial recognition, provided they met the conditions established by prevailing accounting standards whereby the embedded derivative significantly modifies the cash flows that would have been associated with the host financial instrument had it been considered separately from the embedded derivative, and whereby the embedded derivative must be separated from the host financial instrument for accounting purposes.

  - When more relevant information is obtained through classification of a financial asset in this category, as such classification eliminates or significantly reduces recognition or measurement inconsistencies (also known as accounting mismatches) that would otherwise arise from using different criteria to measure assets and liabilities or recognise the gains and losses thereon.

  - When more relevant information is obtained through classification of a financial asset in this category, as a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Group's key management personnel.

- Held-to-maturity investments:

This category includes debt securities traded on official markets with fixed maturity and fixed or determinable cash flows, which the Group has the positive intention and ability to hold to maturity.

- Loans and Receivables:

This category consists of unquoted debt instruments, financing granted to third parties in connection with ordinary lending activities carried out by the consolidated entities, and receivables from purchasers of goods and users of services. This category also includes finance leases in which the consolidated entities act as lessors.

- Available-for-sale financial assets:

This category includes Group debt instruments not classified as held-to-maturity investments, loans and receivables, or at fair value through profit and loss, as well as Group equity instruments related to entities which are not subsidiaries, joint ventures or associates and which have not been classified at fair value through profit and loss.

III. Classification of financial liabilities for measurement purposes

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

- Financial liabilities at fair value through profit and loss
    - Financial assets held for trading: includes financial liabilities issued with the intention to repurchase them in the near future or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; short positions deriving from the sale of assets purchased under obligatory resale agreements or borrowed and derivatives not designated as hedging instruments, including bifurcated hybrid financial instruments, pursuant to IAS 39.
    - Other financial liabilities at fair value through profit or loss: include financial liabilities designated as such since initial recognition, the fair value of which can be reliably estimated, and which meet any of the following conditions:
        - In the case of hybrid financial instruments in which it is obligatory to separate the embedded derivative from the host contract, or it is not possible to reliably estimate the fair value of the embedded derivative or derivatives.
        - In the case of hybrid financial instruments for which the embedded derivative must be bifurcated, the hybrid financial instrument as a whole has been classified in this category on initial recognition, provided they met the conditions established by prevailing accounting standards whereby the embedded derivative significantly modifies the cash flows that would have been associated with the host financial instrument had it been considered separately from the embedded derivative, and whereby the embedded derivative must be separated from the host financial instrument for accounting purposes.
        - when more relevant information is obtained through classification of a financial liability in this category, as such classification eliminates or significantly reduces recognition or measurement inconsistencies (also known as accounting mismatches), that would otherwise arise from using different criteria to measure assets or liabilities or recognise gains or losses thereon.
        - when more relevant information is obtained through classification of a financial liability under this category, as a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Group's key management personnel.

- Financial liabilities at amortised cost

Financial liabilities not included in any of the above categories which arise from the ordinary deposit-taking activities carried out by financial institutions, irrespective of their nature and maturity.

IV. Reclassifications between financial instrument portfolios

Financial instrument are only reclassified between portfolios in the following cases:

a) Items classified as financial instruments at fair value through profit or loss can only be reclassified into or out of this financial instrument category after they are acquired, issued or assumed in the event of the exceptional circumstances described in section d) of this note.

b) If a financial asset ceases to be classified as held to maturity due to a change in intention or financial ability, it is reclassified to available-for-sale financial assets. In this case, all financial assets classified as held to maturity are treated similarly, except where reclassification falls within one of the scenarios permitted by applicable legislation (sales close to maturity or when practically the entire principal of the financial asset has been collected, etc.).

   In 2009 no items have been reclassified as described in the preceding paragraph.

c) Due to a change in intention or financial ability of the Group, or upon expiry of the two-year penalty period established under prevailing legislation for the sale of financial assets held to maturity, items (debt instruments) classified as available-for-sale financial assets can be reclassified to held to maturity. In this case, the fair value of these instruments at the transfer date is considered as the new amortised cost and the difference between this amount and the recoverable amount is recognised in the consolidated income statement over the residual life of the instrument using the effective interest method.

   In 2009 no items have been reclassified as described in the preceding paragraph.

d) As mentioned in preceding sections, financial assets that are not derivative financial instruments can be reclassified from held for trading if they are no longer held for the purpose of being sold or repurchased in the near term, provided that one of the following circumstances arise:

   - In rare and exceptional circumstances, except in the case of assets eligible for classification as loans and receivables. Rare and exceptional circumstances are those arising from a particular event which is unusual, and which is highly unlikely to reoccur in the foreseeable future.

   - When the entity has the intention and financial ability to hold the financial asset in the foreseeable future or to maturity, provided that it meets the definition of loans and receivables on initial recognition.

Should these circumstances arise, the asset is reclassified at its fair value at the reclassification date, with no reversal of results, considering this value as the asset's amortised cost. Assets reclassified in this way may not be further reclassified as held for trading.

Note 22 includes the information required under applicable legislation relating to the reclassifications of financial instruments between categories carried out by the Group in 2008.

b) Measurement and recognition of financial assets and liabilities

In general, financial instruments are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be their acquisition cost, and are subsequently measured at each year end as follows:

I. Measurement of financial assets

Financial assets are measured at fair value, without deducting any transaction costs that may be incurred on their sale or other form of disposal, except for loans and receivables, held-to-maturity investments, equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those equity instruments as their underlying asset and are settled by delivery of those instruments.

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market (quoted price or market price).

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, based on proven valuation techniques used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it. However, the inherent limitations of the valuation techniques used and the possible inaccuracies of the assumptions made under these techniques may result in a fair value of a financial instrument which does not exactly coincide with the price at which the instrument could be bought or sold at the date of measurement.

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method. Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the cumulative amortisation (as reflected in the consolidated income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost also includes any reductions for impairment. In the case of loans and receivables hedged in fair value hedges, the changes in the fair value of these assets related to the risk or risks being hedged are recognised.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to its estimated cash flows during its estimated life, based on the contractual terms, but disregarding future losses on credit exposure. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees that, because of their nature, can be equated with a rate of interest. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing until the date on which the reference interest rate will be revised.

Equity instruments of other entities whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

II. Measurement of financial liabilities

In general, financial liabilities are measured at amortised cost, as defined above, except for those included under financial liabilities at fair value through profit or loss, which are measured at fair value.

III. Valuation techniques

Following is a summary of the various valuation techniques used by the Group to measure the financial instruments included in financial assets held for trading, available-for-sale financial assets, and financial liabilities held for trading at 31 December 2009 and 2008:

	2009		**2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Quoted price in active markets	92.5%	8.3%	93.9%	19.4%
Internal valuation models	7.5%	91.7%	6.1%	80.6%
	100.0%	**100.0%**	**100.0%**	**100.0%**

The main techniques used by the internal measurement models are as follows:

- The present value method is used to measure financial instruments which enable static hedging (mainly forwards and swaps).

- The Black-Scholes model is applied to certain plain vanilla derivative products (calls, puts, caps/floors).

- The Montecarlo simulation method is used for the rest of the derivative financial instruments.

- The effect of credit risk on fair value is calculated based on the credit curves for issuers with different credit ratings and economic sectors.

The Bank's directors consider that financial assets and financial liabilities in the balance sheet and gains and losses on these financial instruments are reasonable and reflect their market value.

IV. Recognition of fair value changes

As a general rule, changes in the fair value of financial instruments are recognised in the consolidated income statement, distinguishing between those arising from the accrual of interest or dividends, which are recognised under interest and similar income, interest expense and similar charges and dividend income, as appropriate, and those arising from the impairment of asset quality, and those arising for other reasons, which are recognised at their net amount under gains/losses on financial assets and liabilities in the accompanying consolidated income statement.

Adjustments due to changes in fair value arising from available-for-sale financial assets are recognised temporarily in consolidated equity under valuation adjustments, unless they relate to exchange differences on monetary financial assets, in which case they are recognised in the consolidated income statement. Items debited or credited to valuation adjustments remain in the Group’s consolidated equity until the asset giving rise to them is removed from the consolidated balance sheet, or when it is considered that the asset is impaired, at which time they are recognised in the consolidated income statement.

V. Hedging transactions

The Group measures and recognises individual hedges (which are designated to hedge a specifically identified risk) depending on their classification, based on the following criteria:

- Fair value hedge: hedge of the exposure to changes in fair value. The gains or losses attributable to both the hedging instrument and the hedged item are recognised directly in the consolidated income statement.

- Cash flow hedge: hedge of the exposure to variations in cash flows that is attributable to a particular risk associated with an asset or liability or a forecast transaction. The gain or loss arising on measurement of the hedging instruments qualifying as an effective hedge are recognised temporarily as a "valuation adjustment" under consolidated equity for the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in the present value of the expected future cash flows on the hedged item from inception of the hedge.

- The cumulative gains or losses on each hedge are taken to the consolidated income statement in the periods in which the hedged items affect the income statement, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or liability, in which case the gains or losses are included in the cost of that asset or liability.

- Hedge of a net investment in a foreign operation: hedge of the foreign currency risk on an investment in subsidiaries, associates, joint ventures and branches of the Entity whose activities are based or conducted in a country or functional currency other than that of the reporting Entity. The gain or loss attributable to the portion of the hedging instrument that qualifies as an effective hedge is recognised directly as a “valuation adjustment” consolidated equity item until the instruments are disposed of, or derecognised, at which time they are recognised in the consolidated income statement. The rest of the gain or loss is recognised directly in the consolidated income statement.

Derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, provided that the host contracts are not classified as other financial assets/liabilities at fair value through profit or loss or as financial assets/liabilities held for trading.

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as trading derivatives.

c) Derecognition of financial assets and liabilities

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

I. When substantially all the risks and rewards are transferred to third parties, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised separately.

II. When substantially all the rights and rewards associated with the transferred financial asset are retained, the transferred financial asset is not derecognised and continues to be measured by the same criteria used before the transfer. However:

- An associated financial liability is recognised for an amount equal to the consideration received. This liability is subsequently measured at amortised cost.

- The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability are recognised in the consolidated income statement.

III. When substantially all the risks and rewards associated with the transferred financial asset are neither transferred nor retained, the following distinction must be made:

- If the transferor does not retain control, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised separately.

- If the transferor retains control, it continues to recognise the transferred financial asset for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

d) Impairment of financial assets

I. Definition

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

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

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

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

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

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

II. Debt instruments measured at amortised cost

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

Value adjustments for instruments classified as doubtful due to customer arrears not carried at fair value, with changes in value recognised in the consolidated income statement, have been calculated specifically based on their age, guarantees or collateral provided and the expected recovery of these balances.

A general provision has been made to cover the losses inherent in the rest of the debt instruments not measured at fair value through profit or loss, as well as contingent exposures classified as standard.

III. Debt or equity instruments classified as available for sale

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

When there is objective evidence that the losses arising on measurement of these instruments are due to impairment, they are no longer recognised in equity under valuation adjustments – available-for-sale financial assets and are recorded in the consolidated income statement. If all or part of the impairment losses are subsequently reversed, the reversed amount would be recognised in the consolidated income statement for the year in which the reversal occurred (under valuation adjustments – available-for-sale financial assets in the consolidated balance sheet in the case of equity instruments).

IV. Equity instruments measured at cost

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

Impairment losses are recognised in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently in the case of the sale of the related assets.

e) Tangible assets

Tangible assets for own use are measured at cost, revalued as permitted by specific legislation and the new accounting standards, less accumulated depreciation and any impairment losses.

Depreciation of tangible asset items is provided on a straight-line basis over the estimated useful lives. The land on which the buildings and other structures stand is deemed to have an indefinite life and, therefore, is not depreciated.

Depreciation is recognised in the consolidated income statement and is calculated basically using the following rates (based on the average years of estimated useful life of the various assets):

	Annual rate	**Estimated useful life (years)**
Real estate	2%	50
Furniture and fixtures	6-10%	16.7-10
IT equipment	16-33%	6.3-3

Depreciation methods and useful lives of each tangible asset item are reviewed at least at the end of each financial year.

The cost of maintenance and repairs of tangible assets which do not improve the related assets or lengthen their useful lives are charged to the consolidated income statement when incurred.

f) Intangible assets

Goodwill

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

Goodwill acquired after 1 January 2004 is measured at cost while goodwill acquired prior to that date is measured at the carrying amount at 31 December 2003. In both cases, at each year end the Group tests goodwill for impairment reducing its recoverable value to an amount below the carrying amount. In this event, the carrying amount is restated and the impairment loss is recognised with a balancing entry under "Impairment of assets – goodwill" in the consolidated income statement.

Impairment losses on goodwill are not reversed.

II. Other intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated entities. Only assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

g) Leases

I. Finance leases

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

When the consolidated entities act as lessors of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value, which is generally the exercise price of the purchase option available to the lessee at the end of the lease term, is recognised as lending to third parties and is therefore included under loans and receivables in the consolidated balance sheet.

When the consolidated entities act as lessees, they disclose the cost of the leased assets in the consolidated balance sheet according to the nature of the asset forming the subject-matter of the contract and, simultaneously, recognise a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments to be made to the lessor plus, if appropriate, the exercise price of the purchase option). The depreciation policy for these assets is consistent with that for tangible assets for own use.

In both cases, the finance income and finance expense arising from these contracts is credited or debited, respectively, to the consolidated income statement so as to achieve a constant rate of return over the life of the lease contracts.

II. Operating leases

In operating leases ownership of the leased asset and substantially all the risks and rewards incidental to it remain with the lessor.

When the consolidated entities act as lessors, they present the acquisition cost of the leased assets under tangible assets in the consolidated balance sheet. The depreciation policy for these assets is consistent with that for similar tangible assets for own use and income from operating leases is recognised in the consolidated income statement on a straight-line basis.

When the consolidated entities act as lessees, lease expenses, including any incentives granted by the lessor, are charged to the consolidated income statement on a straight-line basis.

h) Financial guarantees and related provisions made

A contract is considered a financial guarantee if it requires an entity to pay specific amounts on behalf of a third party in the event that the latter is unable to do so; regardless of the manner in which the obligation is instrumented: guarantee deposits, financial guarantee deposit, irrevocable documentary credit issued or confirmed by the entity, etc.

In accordance with EU-IFRS and as a general rule, the Group considers contracts for financial guarantees extended to third parties as financial instruments within the scope of IAS 39.

On initial recognition, the Group records financial guarantees extended as a liability at fair value plus directly attributable transaction costs, which, in general, is equivalent to the premium received plus, where applicable, the present value of commissions and returns to be received throughout the term of these contracts, with a balancing entry under assets equivalent to the amount of commission and similar income collected at the outset of operations and accounts receivable equivalent to the present value of commissions and similar income receivable. Subsequently, these contracts are recognised under liabilities at the higher of the following amounts:

- the amount determined in accordance with IAS 37, whereby financial guarantees, regardless of holder, instrumentation or any other circumstances, are analysed periodically to determine the credit risk they are exposed to and, where applicable, to estimate the provisions required; which is calculated by applying criteria similar to those established to quantify impairment losses generated by the debt instruments stated at amortised cost.

- the amount at which these instruments are initially recognised, less amortisation which, as established by IAS 18, is calculated on a straight-line basis over the term of these contracts.

Provisions made for these instruments, are recorded under “Provisions – Provisions for contingent exposures and commitments” in the consolidated balance sheet. Allowances and reversals of these provisions are recognised with a balancing entry under the income statement caption “Provisioning expense (net)”.

In the event that provisions are required for these financial guarantees, based on the above, unaccrued commissions on these operations, which are recognised under “Financial liabilities at amortised cost – Other financial liabilities”, are reclassified to the corresponding provision.

i) Foreign currency transactions

I. Functional currency

The Group’s functional currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the Euro are deemed to be denominated in foreign currency.

II. Translation of foreign currency balances

Foreign currency balances are translated as follows:

- Monetary assets and liabilities, at the average exchange rate prevailing on the Spanish spot foreign exchange market at year-end.

- Income and expenses, at the exchange rate on the transaction date.

III. Recognition of exchange differences

Exchange differences arising on the translation of foreign currency balances are recognised in the consolidated income statement (see notes 29 and 35).

j) Equity instruments

Instruments issued by the Bank are only considered as own equity when the following conditions are met:

- They do not include any type of obligation that requires the issuing entity to:

  - deliver cash or any other financial asset to a third party; or

  - exchange financial assets or financial liabilities with a third party under conditions that are potentially unfavourable to the Entity.

- If they may or will be settled in the issuing entity's own equity instruments:

  - in the case of a non-derivative financial instrument, the Entity is not obliged to deliver a variable number of its own equity instruments; or

  - in the case of a derivative, it must be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Entity's own equity instruments.

A financial instrument that will or may result in the future receipt or delivery of the issuer's own equity instruments, but does not meet the conditions described in the two preceding paragraphs, is not an equity instrument.

Business carried out with own equity instruments, including issuance and redemption, is recognised directly in equity of the Entity. No profit or loss on own equity instruments can be recognised. Costs of transactions with own equity instruments are deducted directly from equity, after deduction of any associated tax effect.

Changes in value of instruments classified as own equity are not recognised in the financial statements. Consideration received or conveyed in exchange for these instruments is added or deducted directly from equity of the Entity.

k) Recognition of income and expense

The most significant criteria used by the Group to recognise income and expenses are summarised as follows:

<u>I. Interest income, interest expenses and similar items</u>

As a general rule, interest income, interest expenses and similar items are recognised on the basis of their period of accrual using the effective interest method. Dividends received from other companies are recognised as income when the consolidated entities' right to receive them arises.

<u>II. Commissions, fees and similar items</u>

Fee and commission income and expenses are recognised in the consolidated income statement using criteria that vary according to their nature. The most significant fee and commission items are as follows:

- Those relating to financial assets and financial liabilities carried at fair value through profit or loss, which are recognised when collected.

- Those arising from transactions or services that are provided over a period of time, which are deferred over the life of these transactions or services.

- Those relating to the provision of a service in a single act, which are recognised when the single act is carried out.

III. Non-finance income and expenses

These items are recognised for accounting purposes on an accruals basis.

l) Assets under management

Assets owned by third parties managed by the consolidated entities are not disclosed on the consolidated balance sheet. Management fees are included in fee and commission income in the consolidated income statement (see note 27). The details of third-party assets managed by the Group at 31 December 2009 and 2008 are disclosed in note 20.

m) Post-employment benefits

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

Plan assets are assets linked to a specific defined benefit commitment that will be used to directly settle these obligations. They have the following characteristics: they are not owned by the Group, but rather by a legally separate third party not related to the Group; they are only available to settle or finance post-employment benefits payable to employees; they can only be returned to the Group when the remaining assets in the plan are sufficient to meet all obligations of the plan or the Entity relating to current or former employee benefits or to reimburse employee benefits already settled by the Group.

If the Group is able to demand payment from an insurer of part or all of the disbursement required to settle the defined benefit obligation, and it is practically certain that the insurer will reimburse some or all of the disbursements required to settle the obligation, but the insurance policy does not meet the conditions to be considered a plan asset, the Group recognises this reimbursement right under assets in the balance sheet, in “Pension-linked insurance contract”, which is treated as a plan asset in all other respects.

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

The Group recognises any actuarial gains and losses arising on post-employment commitments with employees in the year in which they are generated or incurred, with a debit or credit to the income statement.

The cost of past services, incurred due to modifications to existing post-employment benefits or on the introduction of new benefits, is recognised in the income statement on a straight-line basis over the period between the date the new commitments arise and the date these benefits are vested.

Post-employment benefits are recognised in the income statement as follows:

- Current service cost, defined as the increase in the present value of the obligations resulting from employee service in the current period, are recorded under personnel expenses.

- Interest cost, defined as the increase during the year in the present value of the obligations as a result of the passage of time, are recognised under interest expense and similar charges. When the obligations are presented in liabilities net of the plan assets, the cost of the liabilities recognised in the income statement relates solely to the obligations recognised under liabilities.

- The expected return on plan assets and gains or losses on the value of the plan assets, less any plan administration costs and less any applicable taxes, are recorded under interest and similar income.

Under the collective labour agreement currently in force, the Bank has undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, permanent disability, death of spouse or death of parent, and other benefits.

In accordance with Royal Decree 1588/1999, in 2000 the Bank externalised its pension commitments through an insurance contract signed with Seguros Generales Rural, S.A. de Seguros y Reaseguros.

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

Details of the present value of the Group's post-employment benefit obligations at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Present value of obligations	366	267
Fair value of plan assets	423	359
Positive difference	**57**	**92**

The amount of the obligations was determined by independent actuaries using the following actuarial techniques:

1. Valuation method: projected unit credit method, which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

2. Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

	2009	**2008**
Technical interest rate	4.40%	5.10%
Mortality tables	PERM/F 2000P	GRM/F-95
Cumulative annual CPI growth	2%	2%
Annual salary increase rate	3%	3%
Annual Social Security pension increase rate	2%	2%

n) Termination benefits

In accordance with prevailing legislation, the Group pays compensation to those employees whose services are discontinued without just cause. Indemnities are accounted for as a provision for pensions and similar obligations and as personnel expenses when the Entity has clearly undertaken a commitment to dismiss an employee or group of employees before their retirement date or to compensate an employee or group of employees to encourage their departure from the company.

o) Income tax

The current income tax charge is recognised in the consolidated income statement, except when it results from a transaction recognised directly in consolidated equity, in which case the related income tax charge is also recognised in consolidated equity.

The current income tax charge is calculated as the tax payable with respect to the taxable profit for the year, adjusted for the amount of the changes in the year arising from temporary and permanent differences and from tax credits and tax loss carryforwards.

Deferred tax assets and liabilities include the temporary differences which are identified as the amounts which are expected to be paid or recovered for the differences between the carrying amount of the assets and liabilities and their related tax bases (tax value).

Deferred tax assets, tax credits and tax loss carryforwards are only recognised when it is probable that the consolidated entities will obtain sufficient future taxable profit against which they can be utilised.

Deferred tax assets and liabilities are quantified by applying the expected recovery or settlement tax rate to temporary differences or credits.

Deferred tax liabilities are always recognised except when goodwill is recognised or when they arise in accounting for investments in subsidiaries, associates or joint ventures where the investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the future. Nevertheless, deferred tax assets and liabilities are not recognised if they arise from the initial recognition of an asset or liability other than a business combination that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed at year end in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Income and expenses recognised directly in consolidated equity are accounted for as temporary differences.

p) Consolidated cash flow statement

The Group reports its consolidated cash flows using the indirect method, using the following expressions and classification criteria:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to a low risk of changes in value.

- Operating activities: typical activities of credit institutions and other activities that cannot be classified as investing or financing.

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

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

For the preparation of the consolidated statement of cash flows, “Cash and balances with central banks” have been considered as “cash and cash equivalents”.

Consolidated statement of recognised income and expenses

This statement includes income and expenses generated or incurred by the Group during the year in the ordinary course of business, distinguishing between amounts recognised in the consolidated income statement for the year and those recognised directly in consolidated equity, in accordance with prevailing legislation.

This statement therefore comprises the following:

a) Consolidated profit for the year

b) Net income and expenses recognised temporarily as valuation adjustments in consolidated equity.

c) Net income and expenses recognised definitively in consolidated equity.

d) Accrued income tax payable in respect of the items mentioned in points b) and c) above, except on valuation adjustments arising from interests in associates or jointly-controlled entities accounted for using the equity method, which are disclosed as net balances.

e) Total consolidated recognised income and expenses calculated as the sum of the preceding points, presenting the amounts attributable to the parent and to minority interests separately.

Any type of income and expenses attributable to entities accounted for using the equity method recognised directly in equity is disclosed in this statement in "Entities accounted for using the equity method".

Changes in income and expenses recognised in consolidated equity during the year, such as valuation adjustments, are disclosed as follows:

a) Revaluation gains/(losses) reflect income, net of expenses incurred during the year, recognised directly in consolidated equity. Amounts recognised in this caption during the year continue to be carried at the initial value of other assets or liabilities, even when they are transferred to the consolidated income statement in the same year, or they are reclassified to another caption.

b) Amounts transferred to the income statement reflect revaluation gains or losses previously recognised in consolidated equity, even in the same year, which are accounted for in the consolidated income statement.

c) Amounts transferred to the initial carrying amount of hedged items comprise valuation gains or losses previously recognised in consolidated equity, even in the same year, which are accounted for at the initial value of assets or liabilities as a result of cash flow hedges.

d) Other reclassifications reflect transfers between valuation adjustments during the year in accordance with criteria established under prevailing legislation.

Amounts disclosed in these captions are gross and the associated tax effect is recognised in "Income tax", except in the case of valuation adjustments of entities accounted for using the equity method, as mentioned previously.

r) Consolidated statement of total changes in equity

This consolidated statement of total changes in equity presents all changes, including those arising from changes in accounting principles and corrections of errors. This statement therefore shows a reconciliation of the opening and closing carrying amounts of all items comprising consolidated equity, grouping movements according to their nature, as follows:

a) Adjustments for changes in accounting principles and corrections of errors reflect changes in consolidated equity due to the retroactive restatement of balances in the financial statements as a result of changes in accounting principles or corrections of errors.

b) Consolidated income and expenses recognised during the year comprise the aggregate amount of the aforementioned items recognised in the consolidated statement of recognised income and expenses.

c) Other changes in equity comprise the remaining items recognised in consolidated equity, such as increases or decreases in share capital, distribution of profit or application of losses, transactions with own equity instruments, equity-settled payments, transfers between consolidated equity items and any other increases or decreases in consolidated equity.

3. Distribution of Profit and Earnings per Share

Distribution of profit

The distribution of the Bank's net profit for 2009 that the board of directors will propose for approval by the shareholders at the annual general meeting is as follows:

	Thousands of Euros
Net profit for **2009**	15,783
Distribution:	
Dividends	9,000
Reserves	6,783
Legal reserves	1,578
Voluntary reserves	5,205

Dividends on account

At a meeting held on 25 November 2009, the Bank's board of directors agreed to distribute dividends totalling Euros 3,000 thousand on account of 2009 profits. The provisional accounting statement prepared by the directors on that date in accordance with article 216 of the revised Spanish Companies Act, which shows sufficient cash flow to cover the payment of this dividend, is as follows:

	Thousands of Euros
Profit before income tax at 31 October 2009	17,128
Corporate income tax	(4,464)
Provisional profit for the year	12,664
Legal reserve	1,266
Liquidity	5,714,467
Interim remuneration distributable	3,000
Payment date	3-12-2009

Earnings per share

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

	2009	2008
Net profit for the year attributed to the Group (thousands of Euros)	14,538	14,773
Number of ordinary shares outstanding (see note 16)	1,514,107	1,213,609
Earnings per share (Euros)	9.60	12.17

4. Information on Directors and Senior Management

Remuneration of directors

Details of gross remuneration received by members of the Bank's board of directors for allowances in 2009 and 2008 are as follows:

Thousands of Euros

Director	2009	2008	
Mr. José Luis García Palacios (Chairman)	31	32	
Mr. Román Suárez Blanco (1) (Vicechairman)	11	10	
Mr. Wolfgang Kirsch	2	-	
Mr. Ignacio Arrieta del Valle (2)	8	8	
Mr. Nicanor Bascuñana Sánchez	9	7	
Mr. Bruno Catalán Sebastián	8	6	
Mr. José Antonio Claver Carrió	6	11	Director until 27.05.09
Mr. Luis Esteban Chalmovsky	11	6	
Mr. Luis Díaz Zarco	9	7	
Mr. José Luis García-Lomas Hernández	9	8	
Mr. Andrés Gómez Mora	9	8	
Mr. Carlos Martínez Izquierdo	9	8	
Mr. Carlos de la Sierra Torrijos	9	8	
Mr. Antonio Alayeto Aguarón	9	5	Director since 27.05.08
Mr. Dimas Rodríguez Rute (3)	9	5	Director since 27.05.08
Mr. Tobías Popovic	5	5	Director until 27.05.09
Mr. Vicente Cervera Doval (4)	4	5	Director since 27.05.08 Director until 27.05.09
Mr. Fernando Palacios González	5	6	Director until 24.09.08 Director since 27.05.09
Mr. Eduardo Ferrer Perales	4	-	Director since 27.05.09
Mr. Juan Antonio Gisbert García	6	-	Director since 27.05.09
Mr. Antonio Abelló Dalmases	5	-	Director since 27.05.09
Mr. Pedro García Romera	4	-	Director since 27.05.09
Mr. Cipriano García Rodríguez (5)	5	-	Director since 27.05.09
Mr. Ramón Aísa Sarasa	-	4	Director until 27.05.08
Mr. Luis de la Maza Garrido	-	2	Director until 19.09.08
Mr. Juan de la Cruz Cárdenas Rodríguez	-	2	Director until 19.09.08
Total	**187**	**153**	

(1) Appointed vicechairman on 27 May 2009

(2) Amount received by Caja Rural de Navarra

(3) Amount received by Caja Rural de Granada

(4) Amounts received by Caja Rural de "La Vall – San Isidro Vall D'Úxó"

(5) Amount received by Caja Rural de Zamora

Loans

The Group has extended no loans to the Bank's directors at 31 December 2009 or 2008.

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

In compliance with article 127 (iii) of the Spanish Companies Act, introduced by Law 26 of 17 July 2003 which amends Law 24 of 28 July 1988 governing the Stock Market and the revised Spanish Companies Act in order to increase the transparency of listed companies, details of the direct or indirect shareholdings held by the directors in companies with identical, similar or complementary statutory activities to that of Banco Cooperativo Español, S.A., as well as any positions or functions held and/or performed in such companies, are provided in Appendix III.

Remuneration of senior management

For the purposes of preparing the present consolidated annual accounts, senior management is deemed to comprise the 11 members of the Bank's steering committee in 2009 and 2008, considered to be key management personnel within the Group.

Details are as follows:

	Short-term remuneration					
	Thousands of Euros					
	Fixed		Variable		Total	
	2009	2008	2009	2008	2009	2008
Senior management	1,467	1,415	538	547	2,005	1,962

Gender distribution of the board of directors

At 31 December 2009 and 2008 all the members of the board of directors are male.

5. Cash and Balances with Central Banks

Details are as follows:

	Thousands of Euros	
	2009	2008
Cash	439	448
Bank of Spain	1,145,821	748,711
Current account	1,145,821	28,711
Time deposits	-	720,000
Valuation adjustments	811	2,309
Total	**1,147,071**	**751,468**

Amounts deposited in central banks at 31 December 2009 and 2008 earn interest at an average rate of 1.21%and 3.93%, respectively.

Details of residual maturity and the interest rate repricing matrix for the items recorded under this caption of the consolidated balance sheet are provided under Risk Management (see note 35).

6. Financial assets and liabilities held for trading

Details of financial assets and liabilities held for trading by counterparty and type of instrument are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2009	2008	2009	2008
Counterparty				
Credit institutions	1,450,229	306,052	349,762	219,447
Resident general government	1,198,258	1,415,132	--	--
Non-resident general governments	--	517	--	--
Other resident sectors	264,295	120,887	23,158	9,549
Other non-resident sectors	3,578	4,844	--	--
Total	**2,916,359**	**1,847,432**	**372,920**	**228,996**
Instrument				
Deposits from credit institutions	--	--	31,017	44,460
Debt securities	2,568,093	1,656,462	--	--
Other equity instruments	11,337	11,412	--	--
Trading derivatives	336,929	179,558	341,903	184,536
Total	**2,916,359**	**1,847,432**	**372,920**	**228,996**

Loaned or pledged securities amount to Euros 658,434 thousand at 31 December 2009 (Euros 1,133,696 thousand at 31 December 2008).

Financial assets held for trading. Debt securities

Details are as follows:

	Thousands of Euros	
	2009	**2008**
Spanish government debt securities	1,198,258	1,415,132
Non-resident government debt securities	-	517
Issued by credit institutions	1,365,222	233,750
Other Spanish fixed-income securities	3,250	4,079
Other non-resident fixed-income securities	1,364	2,984
Total	**2,568,093**	**1,656,462**

Debt securities held for trading earned interest at an average annual rate of 2.50% in 2009 (4.58% in 2008).

Financial assets held for trading. Deposits from credit institutions

Deposits from credit institutions earned interest at an average annual rate of 2.15% in 2009 (4.44% in 2008).

Financial assets held for trading. Other equity instruments

Details are as follows:

	Thousands of Euros	
	2009	**2008**
Shares in credit institutions	3,315	2,604
Shares in Spanish companies	5,808	6,948
Shares in foreign companies	2,214	1,860
Total	**11,337**	**11,412**

Financial assets held for trading. Trading derivatives

Details of the fair value of trading derivatives at 31 December 2009 and 2008, by type of instrument, are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2009	**2008**	**2009**	**2008**
Purchase of foreign currencies	2,113	3,315	1,404	2,307
Interest rate derivatives	280,714	125,228	283,598	138,996
Equity price risk derivatives	50,463	51,015	56,863	43,233
Other risk derivatives	3,639	-	38	-
Total	**336,929**	**179,558**	**341,903**	**184,536**

The notional values of derivatives held for trading at 31 December 2009 and 2008, based on maturity, are as follows:

	2009			
	Thousands of Euros			
	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Purchase of foreign currencies	112,100	5,007		117,107
Interest rate derivatives	1,165,489	2,478,251	18,915,739	22,559,479
Equity price risk derivatives	761,353	1,967,870	39,286	2,768,509
Other risk derivatives			240,000	240,000
Total	**2,038,942**	**4,451,128**	**19,195,025**	**25,685,095**

	2008			
	Thousands of Euros			
	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Purchase of foreign currencies	101,261	5,928	--	107,189
Interest rate derivatives	2,146,247	2,186,378	15,221,599	19,554,224
Equity price risk derivatives	679,800	2,039,553	66,446	2,785,799
Other risk derivatives	1,000	--	--	1,000
Total	**2,928,308**	**4,231,859**	**15,288,045**	**22,448,212**

Information on credit, liquidity and market risks assumed by the Group in relation to financial assets included under this category is provided under Risk Management (see note 35).

7. Available-for-sale financial Assets

Details of available-for-sale financial assets, based on the nature of the operations, are as follows:

	Thousands of Euros	
	2009	**2008**
Counterparty		
Credit institutions	1,539,515	1,032,091
Resident general government	149,937	26,188
Other resident sectors	55,186	71,951
Non-resident general governments	10,026	--
Other non-resident sectors	4,679	11,396
Impairment losses	(707)	(523)
Total	**1,758,636**	**1,141,103**
Instrument		
Debt securities	1,746,678	1,125,718
Spanish government debt securities	149,937	26,188
Issued by credit institutions	1,537,603	1,030,374
Other Spanish fixed-income securities	46,408	58,339
Non-resident general governments	10,026	--
Other non-resident fixed-income securities	3,411	11,340
Impairment losses	(707)	(523)
Other equity instruments	11,958	15,385
Shares in credit institutions	1,912	1,717
Shares in Spanish companies	1,502	1,151
Shares in foreign companies	78	56
Mutual fund units	8,466	12,461
Total	**1,758,636**	**1,141,103**

Available-for-sale debt securities earned interest at an average rate of 2.74% in 2009 (4.52% in 2008).

Loaned or pledged debt securities amounted to Euros 329,686 thousand at 31 December 2009 (Euros 720,935 thousand at 31 December 2007).

Information on credit, liquidity and market risks assumed by the Bank in relation to financial assets included under this category is provided under Risk Management in note 35, whereas certain information on the fair value of these assets is provided in note 21.

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

At 31 December 2009 individual available-for-sale financial assets considered impaired due to a credit risk amounted to Euros 337 thousand (zero in 2008).

8. Loans and Receivables

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

	Thousands of Euros	
	2009	**2008**
Loans and advances to credit institutions	5,008,663	4,239,795
Loans and advances to other debtors	686,555	362,639
Subtotal	**5,695,218**	**4,602,434**
Valuation adjustments		
Impairment losses	(7,094)	(3,834)
Other valuation adjustments	54,071	17,903
Total	**5,742,195**	**4,616,503**

Information on credit, liquidity and market risks assumed by the Group in relation to financial assets included under this category is provided under Risk Management in note 35, whereas certain information on the fair value of these assets is provided in note 21.

Loans and receivables. Loans and advances to credit institutions

Details by instrument are as follows:

	Thousands of Euros	
	2009	**2008**
Instrument		
Time deposits	3,840,765	2,598,116
Resale agreements	1,061,361	1,555,140
Other accounts	106,537	86,539
Subtotal	**5,008,663**	**4,239,795**
Valuation adjustments	54,013	16,699
Total	**5,062,676**	**4,256,494**

Loans and advances to credit institutions earned interest at an average annual rate of 2.32% in 2009 (4.04% in 2008).

Loans and receivables. Loans and advances to other debtors

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

	Thousands of Euros	
	2009	**2008**
Instrument and status		
Commercial credit	46,809	55,548
Secured loans	89,502	97,934
Resale agreements	310,998	--
Other term loans	160,784	131,911
Finance leases	27,184	43,160
Receivable on demand and others	3,616	4,581
Other accounts	46,239	29,366
Doubtful assets	1,423	139
Subtotal	**686,555**	**362,639**
Impairment losses	(7,094)	(3,834)
Other valuation adjustments	58	1,204
Total	**679,519**	**360,009**
Counterparty		
Spanish general government	3	9
Other resident sectors	683,537	359,263
Other non-resident sectors	3,015	3,367
Subtotal	**686,555**	**362,639**
Impairment losses	(7,094)	(3,834)
Other valuation adjustments	58	1,204
Total	**679,519**	**360,009**

Loans and advances to other debtors earned interest at an average annual rate of 2.92% in 2009 (5.45% in 2008).

9. Equity investments: Associates

Details of this caption are as follows:

	Thousands of Euros	
	2009	**2008**
Espiga Capital Inversión, S.C.R. de R.S., S.A.	9,855	11,348
Espiga Capital Inversión II, S.C.R. de R.S., S.A.	1,052	1,052
Mercavalor, S.V., S.A.	2,483	2,375
Total	**13,390**	**14,775**

Equity investments in Mercavalor S.V. S.A. include goodwill of Euros 626 thousand at 31 December 2009 and 2008.

Movement in 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	**2008**
Opening balance	**14,775**	**10,529**
Purchase of Espiga Capital Inversión, S.C.R. de R.S., S.A. shares	--	1,815
Effect of equity method accounting	(1,385)	2,431
Closing balance	**13,390**	**14,775**

On 19 September 2008 the Bank and its subsidiary Rural Informática, S.A. acquired a total of 177,949 shares in Espiga Capital Inversión, S.C.R., de R.S., S.A., equivalent to 1.483% of this company's share capital.

10. Tangible assets

Movement in 2009 and 2008 is as follows:

	Thousands of Euros			
	Real estate	Furniture and fixtures	IT equipment	Total
Cost				
Balance at 31 December 2007	17,749	2,748	1,868	22,365
Additions	--	593	258	851
Disposals	--	(128)	(21)	(149)
Balance at 31 December 2008	17,749	3,213	2,105	23,067
Additions	--	653	80	733
Disposals	--	(263)	(3)	(266)
Balance at 31 December 2009	17,749	3,603	2,182	23,534
Accumulated depreciation				
Balance at 31 December 2007	(1,947)	(1,704)	(1,222)	(4,873)
Additions	(169)	(176)	(279)	(624)
Disposals	--	--	8	8
Balance at 31 December 2008	(2,116)	(1,880)	(1,493)	(5,489)
Additions	(170)	(190)	(256)	(616)
Disposals	--	7	3	10
Balance at 31 December 2009	(2,286)	(2,063)	(1,746)	(6,095)
Net tangible assets				
Balance at 31 December 2008	**15,633**	**1,333**	**612**	**17,578**
Balance at 31 December 2009	**15,463**	**1,540**	**436**	**17,439**

In accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS), the Group revalued its real estate in an amount of Euros 6,638 thousand. An appraisal at 1 January 2004, prepared by an independent surveyor, was used as the fair value for this revaluation. The resulting adjustments were recognised as accumulated reserves (Euros 4,466 thousand) and tax liabilities (Euros 2,172 thousand) (see note 17).

At 31 December 2009 and 2008 the cost of fully-depreciated tangible assets for own use still operated by the Bank amounts to Euros 2,049 thousand and Euros 1,685 thousand, respectively.

11. Intangible Assets

Movement in 2009 and 2008 is as follows:

	Thousands of Euros
Cost	**Other intangible assets**
Balance at 31 December 2007	3,800
Additions	1,676
Disposals	--
Balance at 31 December 2008	5,476
Additions	1,132
Disposals	(67)
Balance at 31 December 2009	6,541
Accumulated amortisation	
Balance at 31 December 2007	(2,662)
Additions	(904)
Disposals	--
Balance at 31 December 2008	(3,566)
Additions	(1,096)
Disposals	67
Balance at 31 December 2009	(4,595)
Net intangible assets	
Balance at 31 December 2008	**1,910**
Balance at 31 December 2009	**1,946**

At 31 December 2009 and 2008 the cost of fully-amortised intangible assets for own use still operated by the Bank amounts to Euros 2,633 thousand and Euros 2,160 thousand, respectively.

12. **Financial liabilities at amortised cost**

Details by type of counterparty are as follows:

	Thousands of Euros	
	2009	**2008**
Deposits from central banks	1,435,454	1,077,963
Deposits from credit institutions	5,642,861	4,662,252
Deposits from other creditors	2,317,957	2,102,739
Debt certificates including bonds	1,555,078	100,909
Subordinated liabilities	20,605	20,682
Other financial liabilities	13,704	9,128
Total	**10,985,659**	**7,973,673**

Details of residual maturity and the interest rate repricing matrix for the items recorded under this caption of the consolidated balance sheet are provided under Risk Management (see note 35).

Note 21 includes information on the fair value of financial instruments included in this caption.

Deposits from central banks and from credit institutions

Details by nature are as follows:

	Thousands of Euros	
	2009	**2008**
Nature		
Time deposits	3,753,826	3,313,530
Repurchase agreements	298,786	296,387
Other accounts	3,007,735	2,100,271
Valuation adjustments	17,968	30,027
Total	**7,078,315**	**5,740,215**

At 31 December 2009 time deposits include Euros 572,202 thousand (Euros 732,261 thousand in 2008) for intermediary loans received from the Spanish Official Credit Institute. These loans have been secured through state debt securities amounting to Euros 221,000 thousand (Euros 287,000 thousand in 2008).

These instruments accrued interest at an average rate of 1.49% in 2009 (4.18% in 2008).

Deposits from other creditors

Details by nature and currency are as follows:

	Thousands of Euros	
	2009	**2008**
Nature		
Demand deposits	1,261,314	916,255
Time deposits	50,310	86,781
Repurchase agreements	1,005,549	1,094,148
Valuation adjustments	784	5,555
Total	**2,317,957**	**2,102,739**

These instruments accrued interest at an average rate of 1.00% in 2009 (3.87% in 2008).

Debt certificates including bonds

Pursuant to Ministry of Economy and Finance Order EHA/3364/2008, of 21 November 2008, which enacts article 1 of Royal Decree 7 of 13 October 2008 on urgent economic-financial measures regarding the agreed action plan for Euro area countries, on 2 December 2008 Banco Cooperativo Español, S.A., as the managing entity of a group of entities comprising the Bank and its shareholder rural savings banks, filed an application with the Spanish Public Treasury for a state guarantee for fixed-income issues amounting to Euros 2,797 million, relating to the total market share of the Bank and its shareholder rural savings banks.

As authorised by the shareholders at their general meeting held on 27 June 2007, the Bank's board of directors, at its meeting held on 17 December 2008, approved the fixed-income security issue programme encompassing the issues guaranteed by the Spanish State under aforementioned Royal Decree 7/2008. The following issues were carried out in 2009 under this programme.

The State guarantee was approved by a Ministry of Economy and Finance Order dated 29 December 2008 and extended to the Bank for issue of private fixed-income securities of the requested amount of Euros 2,797 million.

Details are as follows:

					Thousands of Euros	
					Coste amortizado	
	Currency	**Issue date**	**Date of maturity**	**Interest rate**	**2009**	**2008**
Ordinary bonds	Eur	26,07,07	26,01,09	EUR 3m +0.03%	--	100,000
Ordinary bonds. First issue in 2008 under State guarantee	Eur	02,04,09	02,04,12	3.125%	1,400,000	--
Ordinary bonds. Second issue in 2008 under State guarantee	Eur	15,10,09	17,10,12	2.420%	161,000	--
Valuation adjustments					(5,922)	909
Total					**1,555,078**	**100,909**

These bonds are listed on the AIAF organised market (Spanish Association of Brokers and Securities Dealers).

Interest accrued on debt certificates including bonds totalled Euros 45,081 thousand in 2009 (Euros 4,824 thousand in 2008) (see note 24).

Subordinated liabilities

Details are as follows:

				Thousands of Euros	
	Date of grant	**Date of final maturity**	**Interest rate**	**2009**	**2008**
Subordinated loan	20,04,01	29,03,11	EUR 3m +0.75%	10,575	10,575
Subordinated loan	23,12,08	30,12,13	EUR 12m +2.50%	10,000	10,000
Valuation adjustments				30	107
Total				**20,605**	**20,682**

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

Interest accrued on subordinated debt during 2009 amounts to Euros 823 thousand (Euros 585 thousand in 2008) (see note 24).

Other financial liabilities

Details are as follows:

	Thousands of Euros	
	2009	**2008**
Obligations payable	1,443	739
Collateral received	99	102
Tax collection accounts	2,432	2,254
Special accounts	9,717	5,745
Financial guarantees	13	288
Total	**13,704**	**9,128**

13. Other Assets and Liabilities

Details are as follows:

	Thousands of Euros	
	Other assets	
	2009	2008
Inventories	-	13
Prepayments and accrued income	2,748	2,157
Amounts received and other settled documents pending application	44,285	46,337
Other	16,887	12,675
Total	**63,920**	**61,182**

	Other liabilities	
	2009	2008
Accrued expenses and deferred income	10,134	10,916
Operations in transit	40	491
Other	5,999	8,045
Total	**16,173**	**19,452**

14. Provisions

Provisions comprise provisions for contingent exposures and commitments. Movement during 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Opening balance	**542**	**1,141**
Allowances charged to the income statement	--	93
Applications	(49)	(692)
Closing balance	**493**	**542**

15. Valuation Adjustments (Equity)

Valuation adjustments in the consolidated balance sheets include the amounts, net of the related tax effect, of adjustments to the assets and liabilities recorded temporarily in equity through the statement of total changes in equity until they are extinguished or realised, at which point they are recognised definitively as own funds through the income statement. The amounts arising from subsidiaries, jointly-controlled entities and associates are disclosed, on a line by line basis, under the appropriate headings according to their nature.

Movement during 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	**2008**
Opening balance	**2,120**	**1,188**
Net revaluation gains/(losses)	4,883	2,120
Amounts transferred to the income statement	(3,007)	(729)
Income tax	(564)	(459)
Closing balance	**3,432**	**2,120**

16. Share Capital and Share Premium

At 31 December 2008 the share capital of the Bank was represented by 1,213,609 registered shares of Euros 60.10 par value each, subscribed and fully paid.

At their meeting held on 28 January 2009, the board of directors of the Bank, as authorised by the shareholders at their general meeting held on 28 June 2006, approved the share capital increase by issuing 300,498 new shares of Euros 60.10 par value each and a share premium of Euros 122.93 per share. This increase was subscribed and 25% of the capital, i.e., Euros 15.03 per share, and 100% of the share premium paid on 22 April 2009. Consequently, the amount paid totalled Euros 4,516 thousand of the share capital and Euros 36,940 thousand of the share premium.

At 31 December 2009 the Bank's share capital is represented by 1,514,107 registered shares of Euros 60.10 par value each, subscribed and 1,213,609 of which fully paid and 300,498 25% paid, with Euros 13,543 thousand payable within 24 months from the date of subscription.

Shareholders holding more than 10% of share capital at 31 December 2009 and 2008 are as follows:

	% ownership	
Entity	**2009**	**2008**
DZ Bank AG	12.02	15.00
Caja Rural del Mediterráneo (Rural Caja)	12.73	11.60

The Group held no treasury shares at 31 December 2009 and 2008.

17. Reserves and Profit Attributed to the Group

Definition

"Equity – Reserves – Accumulated reserves" in the consolidated balance sheets include the net amount of the accumulated profit and loss recognised in previous years through the consolidated income statement that, in the distribution of the profit, was assigned to consolidated equity. "Equity – Reserves of entities accounted for using the equity method" in the consolidated balance sheets includes the net amount of the accumulated profit and loss generated in previous years by entities accounted for using the equity method, recognised through the consolidated income statement.

Composition

Details of these items at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Accumulated reserves		
Legal reserves	10,705	9,584
Other reserves	62,991	59,477
Revaluation reserves (note 10)	4,457	4,456
Consolidation reserves attributed to the Bank	6	14
Reserves in subsidiaries	14,287	13,284
Total	**92,446**	**86,815**
Reserves of entities accounted for using the equity method		
Associates	4,766	2,192
Total	**4,766**	**2,192**

Movement

Details of changes in this caption of consolidated equity in 2009 and 2008 are shown in the statement of total changes in equity.

Legal reserve

Under the Revised Spanish Companies Act, entities must transfer 10% of profit for each year to their legal reserve until such reserve reaches an amount equal to 20% of the share capital of the entity. The legal reserve can be used to increase share capital provided that the remaining reserve balance is at least equal to 10% of nominal value of the total share capital after the increase.

Until the legal reserve reaches an amount equal to 20% of the share capital, it may only be used for the abovementioned purpose or to offset losses if no other reserves are available.

Reserves (losses) of fully-consolidated entities

Details are as follows:

	Thousands of Euros 2009	Thousands of Euros 2008
Rural Informática, S.A.	4,520	4,281
Gescooperativo, S.A., S.G.I.I.C.	7,710	7,047
Espiga Capital Gestión, S.G.C.R., S.A.	661	859
Rural Inmobiliario, S.L.	595	536
BCE Formación, S.A.	553	398
Rural Renting, S.A.	248	163
Total	**14,287**	**13,284**

Reserves of entities accounted for using the equity method

Details are as follows:

	Thousands of Euros 2009	Thousands of Euros 2008
Espiga Capital Inversión, S.C.R. de R.S., S.A.	3,920	2,046
Mercavalor, S.V., S.A.	846	146
Total	**4,766**	**2,192**

Profit attributed to the Group

Details of profit attributed to the Group, taking into account adjustments on consolidation, are as follows:

	Thousands of Euros 2009	Thousands of Euros 2008
Banco Cooperativo Español, S.A.	12,589	8,209
Rural Informática, S.A.	211	353
Rural Inmobiliario, S.L.	109	42
Gescooperativo, S.A., S.G.I.I.C.	906	1,563
BCE Formación, S.A.	338	348
Espiga Capital Gestión, S.G.C.R., S.A.	365	1,323
Rural Renting, S.A.	33	85
Espiga Capital Inversión, S.C.R. de R.S., S.A (note 26)	(121)	2,150
Mercavalor, S.V., S.A. (note 26)	108	700
Total	**14,538**	**14,773**

18. Income Tax

Tax assets and liabilities

Details at 31 December 2009 and 2008 are as follows:

	Thousands of Euros			
	Current		Deferred	
	2009	2008	2009	2008
Tax assets				
Temporary differences	--	--	1,502	894
VAT	205	820	--	--
Other	223	228	--	--
Total	**428**	**1,048**	**1,502**	**894**
Tax liabilities				
Temporary differences	--	--	3,286	2,725
Income tax	1,360	1,536	--	--
VAT	599	905	--	--
Other	551	932	--	--
Total	**2,510**	**3,373**	**3,286**	**2,725**

Movement in deferred tax assets and liabilities in 2009 and 2008 is as follows:

	Thousands of Euros	
	Assets	Liabilities
Balance at 31 December 2007	**910**	**2,267**
Additions	--	945
Disposals	(16)	(487)
Balance at 31 December 2008	**894**	**2,725**
Additions	610	764
Disposals	(2)	(203)
Balance at 31 December 2009	**1,502**	**3,286**

Additions to deferred tax assets mainly comprise non-deductible provisions for insolvency and pension commitments, while disposals reflect tax-exempt income arising from deferral of commissions and tax recoveries for reversals of pension funds.

Additions of deferred tax liabilities mainly relate to the tax effect of the increase in the value of liabilities at fair value through equity. Disposals mainly relate to the tax effect of the decrease in the value of liabilities at fair value through equity.

Independently of income tax recognised in the consolidated income statement, the Group has recognised taxes relating to valuation adjustments to available-for-sale financial assets directly against equity, until these assets are sold, amounting to Euros 1,412 thousand and Euros 874 thousand at 31 December 2009 and 2008, respectively.

Income tax

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

A reconciliation of accounting profit for 2009 and 2008 with the taxable income that the Group expects to declare after approval of the consolidated annual accounts is as follows:

	Thousands of Euros	
	2009	**2008**
Accounting profit for the year before income tax	20,009	20,103
Increase/(decrease) for permanent differences	(1,100)	87
Taxable accounting income	18,909	20,190
Temporary differences		
Increases (net)	2,026	(51)
Taxable income	20,935	20,139
Tax at 30%	6,281	6,042
Withholdings and payments on account	(4,679)	(2,888)
Credits and deductions	(251)	(334)
Effect of the Group's share in net profit of associates	9	(769)
Income tax payable	**1,360**	**2,051**

Permanent differences reflect certain non-deductible expenses in respect of donations, as well as the net effect of investments in an economic interest group.

Temporary differences primarily include tax adjustments to the general provision for insolvency for the year, the reversal of deferred commissions on the first-time application of EU-IFRS, non-deductible provisions for insolvency and those deriving from pension commitments. The reductions in income tax payable derive from deductions for double taxation, donations, training expenses and nursery school services.

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

	Thousands of Euros	
	2009	**2008**
Income tax charge for the year:		
Taxable accounting income at 30%	5,673	6,057
Credits and deductions	(251)	(334)
Effect of the Group's share in net profit of associates	9	(769)
Prior years' tax adjustments	(73)	17
Income tax charge	**5,358**	**4,971**
Foreign tax charge	22	28
Total	**5,380**	**4,999**

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

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2009 all main applicable taxes since 2005 of the Group are open to inspection by the tax authorities.

The different tax benefits applied in the calculation of the income tax rate for 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Income tax payable:		
Deductions for double taxation	155	294
Deduction for training expenses	3	8
Deduction for R&D&i expenses	50	
Deduction for donations and nursery school services	43	32
Total	**251**	**334**

At 31 December 2009 the Group's balance sheet includes tangible assets for own use which were revalued in 2005 by Euros 6,638 thousand in accordance with transitional provision one of the Bank of Spain Circular 4/2004. Pursuant to article 135 of the Revised Spanish Income Tax Law, this amount has not been included in the taxable income for 2009 and 2008.

19. Off-Balance Sheet Items

Off-balance sheet items comprise rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances to reflect all transactions entered into by the consolidated entities although they may not impinge on their net assets.

a) Contingent liabilities

Contingent liabilities include all transactions under which the consolidated entities guarantee the obligations of a third party and which result from financial guarantees granted by the entities or from other types of contract. Contingent liabilities comprise the following items:

- Financial guarantees

Financial guarantees are the amounts that would be payable by the consolidated entities on behalf of third parties as a result of the commitments assumed by those entities in the course of their ordinary business, if the parties who are originally liable to pay fail to do so.

Details of this caption at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Financial guarantees	1,249	2,556
Irrevocable documentary credits	15,038	22,571
Other bank guarantees and indemnities provided	57,180	53,535
Total	**73,467**	**78,662**

A significant part of these amounts will expire without generating any obligations for the consolidated companies, and therefore the total balance of these commitments cannot be considered a requirement for future financing or cash to be extended to third parties.

Income from guarantee instruments is recognised under fee and commission income in the consolidated income statements and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see note 27).

b) Contingent commitments

Contingent commitments include those irrevocable commitments that could give rise to the recognition of financial assets.

Details of contingent commitments at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Drawable by third parties	132,988	124,952
Financial asset forward purchase commitments	760	27,200
Unpaid subscribed capital	2,390	2,390
Total	**136,138**	**154,542**

20. Off-Balance Sheet Funds Under Management

Details of off-balance sheet funds managed by the Group at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Investment companies and mutual funds	1,933,196	1,827,353
Customer portfolios managed on a discretionary basis	674,352	686,489
Marketed but not managed by the Group	94,063	27,634
Total	**2,701,611**	**2,541,476**

21. Financial and Non-Financial Assets and Liabilities Not Carried at Fair Value

a) Fair value of financial assets and liabilities

At 31 December 2009 and 2008 the fair value of the Group's financial instruments, by type of financial asset and liability and level, is as follows:

- Level 1: financial instruments with fair value based on their quoted price in active markets, without making any modifications to these assets.

- Level 2: Financial instruments with fair value estimated based on their quoted price in official markets for similar instruments or through other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.

- Level 3: Instruments with fair value estimated through valuation techniques in which a certain significant input is not based on observable market data.

An input is considered significant if it is important in determining the fair value as a whole.

	2009							
	Thousands of Euros							
Financial assets	**Financial assets held for trading**		**Available-for-sale financial Assets**		**Loans and receivables**		**Total**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Level 1:								
Debt securities	**2,568,093**	**2,568,093**	1,746,678	1,746,678	--	--	4,314,771	4,314,771
Equity instruments	**11,337**	**11,337**	8,467	8,467	--	--	19,804	19,804
Level 2:								
Deposits with credit institutions and central banks	--	--	--	--	5,062,676	5,141,559	5,062,676	5,141,559
Loans and advances to other debtors	336,929	336,929	--	--	679,519	698,245	1,016,448	1,035,174
Derivatives	--	--	--	--	--	--	--	--
Level 3:								
Equity instruments	--	--	3,491	3,491	--	--	3,491	3,491
Total	**2,916,359**	**2,916,359**	**1,758,636**	**1,758,636**	**5,742,195**	**5,839,804**	**10,417,190**	**10,514,799**

Financial liabilities	2009 Thousands of Euros Financial liabilities held for trading		Financial liabilities at amortised cost		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Level 2:						
Deposits from central banks and credit institutions	31,017	31,017	7,078,315	7,039,515	7,109,332	7,070,532
Deposits from other creditors	--	--	2,317,957	2,285,222	2,317,957	2,285,222
Debt certificates including bonds	--	--	1,555,078	1,630,001	1,555,078	1,630,001
Subordinated liabilities	--	--	20,605	21,822	20,605	21,822
Derivatives	341,903	341,903	--	--	341,903	341,903
Other financial liabilities	--	--	13,704	13,704	13,704	13,704
Total	**372,920**	**372,920**	**10,985,659**	**10,990,264**	**11,358,579**	**11,363,184**

Financial assets	2008 Thousands of Euros Financial liabilities held for trading		Available-for-sale financial Assets		Loans and Receivables		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Level 1:								
Debt securities	1,656,462	1,656,462	1,125,718	1,125,718	--	--	2,782,180	2,782,180
Equity instruments	11,412	11,412	12,935	12,935	--	--	24,347	24,347
Level 2:								
Deposits with credit institutions and central banks	--	--	--	--	5,007,514	5,002,032	5,007,514	5,002,032
Loans and advances to other debtors	--	--	--	--	360,009	379,632	360,009	379,632
Derivatives	179,558	179,558	--	--	--	--	179,558	179,558
Level 3:								
Debt securities	--	--	2,450	2,450	--	--	2,450	2,450
Total	**1,847,432**	**1,847,432**	**1,141,103**	**1,141,103**	**5,367,523**	**5,381,664**	**8,356,058**	**8,370,199**

Financial liabilities	2008 Thousands of Euros					
	Financial liabilities held for trading		Financial liabilities at amortised cost		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Level 1:						
Deposits from central banks and credit institutions	44,460	44,460	--	--	44,460	44,460
Level 2:						
Deposits from central banks and credit institutions	--	--	5,740,215	5,738,776	5,740,215	5,738,776
Deposits from other creditors	--	--	2,102,739	2,106,622	2,102,739	2,106,622
Debt certificates including bonds	--	--	100,909	101,100	100,909	101,100
Subordinated liabilities	--	--	20,682	21,987	20,682	21,987
Derivatives	184,536	184,536	--	--	184,536	184,536
Other financial liabilities	--	--	9,128	9,128	9,128	9,128
Total	**228,996**	**228,996**	**7,973,673**	**7,977,613**	**8,202,669**	**8,206,609**

b) Fair value of tangible assets

Tangible assets are carried at their appraisal value at 1 January 2004 (see note 10). The fair value has been estimated on the basis of external valuations (appraisals) and internal valuations compared to market.

22. Reclassifications of Financial Instruments

In accordance with IAS 39, certain information on the Group's reclassified assets in 2008 is as follows (there have been no reclassifications in 2009) (see note 2 a) IV):

Original portfolio	Amount (Thousands of Euros)	New portfolio
Financial assets held for trading	38,617	Available-for-sale financial assets

The effect of applying the fair value that would have been recognised in the income statement had the financial assets not been reclassified is Euros 251 thousand.

The effective interest rate of the reclassified assets is 4.15%. The value of cash flows that the Group estimates to recover, which coincides with the nominal amount of the reclassified assets, is Euros 42,252 thousand at the date of transfer.

23. Interest and Similar Income

Interest and similar income comprises the interest accrued in the year on all financial assets with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value. Interest is recognised gross, without deducting any tax withheld at source.

Details of the main interest and similar income items earned by the Group in 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Balances with central banks	12,007	37,310
Loans and advances to credit institutions	88,880	144,480
Loans and advances to other debtors	11,229	18,610
Debt securities	81,044	101,984
Doubtful assets	3	--
Other interest	39	279
Total	**193,202**	**302,663**

24. Interest Expense and Similar Charges

Interest expense and similar charges include the interest accrued during the year on all financial liabilities with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value.

Details of the main items of interest expense and similar charges accrued by the Group in 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Deposits from central banks	12,782	17,903
Deposits from credit institutions	73,034	195,570
Deposits from other creditors	17,536	61,784
Debt certificates including bonds (note 12)	45,081	4,842
Subordinated liabilities (note 12)	823	585
Rectifications as a result of hedging transactions	13,847	--
Other interest	6	(61)
Total	**163,109**	**280,623**

25. Dividend Income

Dividend income includes the dividends and payments on equity instruments out of profits generated by investees after the acquisition of the equity interest.

Details of dividend income are as follows:

	Thousands of Euros	
	2009	**2008**
Financial assets held for trading	669	759
Available-for-sale financial assets	380	6
Total	**1,049**	**765**

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

This caption comprises the amount of profit or loss attributable to the Group generated during the year by associates, as well as by jointly-controlled entities when the equity method has been chosen for their measurement.

Details are as follows:

	Thousands of Euros	
	2009	**2008**
Mercavalor, S.V., S.A. (note 17)	108	700
Espiga Capital Inversión, S.C.R. de R.S., S.A (note 17)	(121)	2,150
Total	**(13)**	**2,850**

27. Fee and Commission Income

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

Details are as follows:

	Thousands of Euros	
	2009	**2008**
Contingent exposures (note 19)	352	364
Contingent commitments (note 19)	33	29
Foreign currency exchange	621	679
Collection and payment service	2,142	2,025
Transfers, giros and other payment orders	19,232	25,042
Asset management	509	1,515
Other fees and commissions	3,367	5,181
Total	**26,256**	**34,835**

28. Fee and Commission Expense

Fee and commission expense comprises all fees and commissions paid or payable by the Group in the year, except those forming an integral part of the effective interest rate on financial instruments.

Details are as follows:

	Thousands of Euros	
	2009	**2008**
Fees and commissions assigned to other entities and correspondents	4,600	6,161
Fee and commission expenses on securities transactions	10,605	14,222
Other fees and commissions	21	66
Total	**15,226**	**20,449**

29. Gains or Losses on Financial Assets and Liabilities and Exchange Differences (Net)

Gains or losses on financial assets and liabilities

Gains or losses on financial assets and liabilities include the amount of the valuation adjustments of financial instruments, except those attributable to interest accrued as a result of application of the effective interest method and to allowances recorded in the consolidated income statement, and the gains or losses obtained from the sale and purchase of financial instruments.

Details by type of instrument are as follows:

	Thousands of Euros	
	2009	**2008**
Held for trading	1,309	121
Available-for-sale financial assets	1,811	662
Loans and receivables	37	93
Total	**3,157**	**876**

Exchange differences (net)

Exchange differences include gains and losses on the purchase and sale of foreign currencies and differences arising from the conversion of the different monetary items in the consolidated balance sheet from foreign currency to Euros.

Total net exchange differences amount to Euros 249 thousand at 31 December 2009 (Euros 426 thousand at 31 December 2008) (see note 35-5).

30. Personnel Expenses

Personnel expenses comprise all the compensation of the personnel on the payroll, whether permanent or temporary, irrespective of their functions or activity, accrued in the year for whatever reason, including the current service cost in respect of pension plans.

Details are as follows:

	Thousands of Euros	
	2009	**2008**
Wages and salaries	11,749	11,042
Social Security	2,222	2,070
Charges to pension plans	8	15
Other personnel expenses	692	466
Total	**14,671**	**13,593**

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

	2009		2008	
	Male	**Female**	**Male**	**Female**
General manager	1	--	1	--
Directors	12	1	16	--
Other line personnel	48	47	49	47
Administrative personnel	43	75	33	72
Total	**104**	**123**	**99**	**119**

31. Other Administrative Expenses

Other administrative expenses are as follows:

	Thousands of Euros	
	2009	**2008**
Property, fixtures and materials	836	915
Information technology	2,249	1,939
Communications	1,125	1,404
Advertising	228	209
Technical reports	567	1,118
Security and fund transfer services	208	205
Insurance premiums	269	166
Outsourced administrative services	920	1,079
Contributions and taxes	385	325
Other	1,454	1,726
Total	**8,241**	**3835,266**

Fees paid to the auditors of the Group companies amounted to Euros 57 thousand in 2009 and 2008.

32. Information by Business Segments

Segmentation criteria

Segment reporting is based on the Group's different lines of business. Geographical distribution is not significant as almost all revenue is obtained in Spain. The following lines of business have been established based on the Group's organisational structure, taking into account the nature of its products and services and its clients.

The Group focused its activities on the following segments in 2009 and 2008:

- Commercial banking
- Asset management
- Markets
- Corporate activities

Bases and method of business segment reporting

Segment information is based on internal systems for calculating profitability by business area.

The interest and ordinary income from lines of business are calculated by applying transfer prices in line with prevailing market rates to the corresponding assets and liabilities. Administrative expenses include direct expenses and certain allocated expenses of support service units.

	Commercial banking		Asset management		Markets		Corporate activities		Total Group	
	Thousands of Euros									
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Gross margin	10,192	10,925	7,879	9,996	21,021	11,692	12,792	11,914	48,385	44,527
Administrative expenses, amortisation and depreciation	5,417	5,324	4,432	4,356	2,955	2,904	11,820	11,616	24,624	24,201
Provisions and impairment losses on financial assets	3,224	211	--	--	--	--	484	--	3,708	211
Profit on operating activities	1,551	5,390	3,447	5,640	18,066	8,788	488	298	20,053	20,115
Other losses	--	--	--	--	--	--	(44)	(12)	(44)	(12)
Profit before income tax	1,551	5,390	3,447	5,640	18,066	8,788	444	286	20,009	20,103
Corporate income tax	417	1,340	927	1,402	4,858	2,185	119	71	5,380	4,999
Consolidated profit for the year	1,134	4,050	2,520	4,237	13,208	6,602	325	215	14,629	15,104

33. Related Parties

In addition to the information provided in note 4 on remunerations, balances and transactions with related parties during 2009 and 2008 are as follows:

	Thousands of Euros					
	Associates		**Senior management**		**Other related parties**	
Assets	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Loans and advances to other debtors	--	--	1,072	1,268	--	--
Allowances and provisions for credit risk	--	--	(24)	(28)	--	--
Liabilities						
Deposits from other customers	36,701	--	829	664	2	82
Debt certificates including bonds	25,000	--	--	--	--	--
Other						
Contingent liabilities	2,642	2,650	--	--	--	--
Income statement						
Interest and similar income	--	--	30	34	--	--
Interest expense and similar charges	1,208	3,289	4	6	--	--
Share of profit or loss of entities accounted for using the equity method	(13)	2,850	--	--	--	--

34. Customer Service Department

In accordance with the stipulations of Article 17 of Ministry of Economy Order ECO/734 of 11 March 2004 on customer service departments and the financial institution ombudsman, the 2009 Annual Report presented by the Head of the Service to the board of directors at the meeting held on 27 January 2010 is summarised as follows:

Issue	**Number**
Loans	1
Deposits	1
Collection and payment service	1
Investment services	3
Other	9
Total	**15**

Ten of the complaints received are from individuals and the remaining five from companies. The average period for resolving complaints was 34 days.

35. Risk Management

The Banco Cooperativo Group's exposure is mainly the risk associated with the Bank's assets and liabilities, as the Bank's total assets account for 99.83% and 99.91% of the Group's total assets at 31 December 2009 and 2008, respectively (see note 1).

35.1 Credit risk

Credit risk is the risk of one party to a contract which fits the definition of a financial instrument ceasing to comply with its obligations, resulting in a financial loss for the other party.

The credit risk therefore represents the risk of loss assumed by the Group in the event that a customer or any counterparty fails to comply with its contractual payment obligations. This risk is inherent in traditional products of banking entities (loans, credit facilities, financial guarantees extended, etc.), as well as in other types of financial assets (fixed-income securities of the Group, derivatives, etc.).

The credit risk affects financial assets carried at amortised cost and assets recognised at fair value in the consolidated financial statements. The Group applies the same credit risk control policies and procedures to these financial assets regardless of the recognition criteria used.

The Group's credit risk control policies and objectives have been approved by the Bank's board of directors. The Risk Committee, together with the Assets and Liabilities Committee, is in charge of implementing the Group's risk policies that enable compliance with the objectives set by the board. The risk control unit (under the Public Accounts and Risks Department and, therefore, independent of the business units in charge of the implementation of policies established by the Entity) is in charge of establishing the control procedures required to continuously monitor the levels of risk assumed by the Group and the strict compliance with the objectives set by the Group with respect to credit risks. Together with the Internal Audit Department (under the Internal Audit Committee), the risk control unit is also in charge of monitoring compliance with the Group's control risk policies, methods and procedures , ensuring that these are sufficient, are implemented effectively and reviewed regularly, providing the information required by higher governing bodies to implement the necessary corrective measures, where applicable.

The Control Unit permanently controls risk concentration levels, the default rate and the different warning systems established which enable it to regularly monitor the evolution of the credit risk. Any deviations from the forecast performance of any of these parameters are analysed to determine the causes. Once the causes of these deviations are known, these are analysed by the control unit which submits the corresponding reports to the Group's management bodies so that the necessary corrective measures may be taken, from defining and correcting established control mechanisms which may not have functioned satisfactorily to modifying policies and limits agreed by the Group. In particular, a more exhaustive analysis will be performed of operations which, for different reasons, have resulted in payment delays or defaults, to determine the effectiveness of the hedges contracted by the entity, in order to take any necessary measures to improve the Group's acceptance policies and credit risk analysis mechanisms.

35.1.1 Maximum credit risk exposure level

The following table shows the maximum credit risk exposure level assumed by the Group at 31 December 2009 and 2008 for each type of financial instrument, without deducting collateral or any other guarantees received to ensure repayment by borrowers:

2009				
Thousands of Euros				
Type of instruments	**Financial assets and liabilities held for trading**	**Available-for-sale financial assets**	**Loans and receivables**	**Total**
Debt instruments				
Loans and advances to credit institutions	--	--	5,008,663	5,008,663
Marketable securities	2,568,093	1,747,385	--	4,315,478
Loans and advances to other debtors	--	--	686,555	686,555
Total debt instruments	**2,568,093**	**1,747,385**	**5,695,218**	**10,010,696**
Equity instruments	**11,337**	**11,958**	**--**	**23,295**
Contingent exposures				
Guarantee deposits	--	--	1,249	1,249
Other contingent exposures	--	--	72,218	72,218
Total contingent exposures	--	--	**73,467**	**73,467**
Other exposures				
Derivatives	336,929	--	--	336,929
Contingent commitments	--	--	136,138	136,138
Total other exposures	**336,929**	**--**	**136,138**	**473,067**
Maximum credit risk exposure level	**2,916,359**	**1,759,343**	**5,904,823**	**10,580,525**

2008				
Thousands of Euros				
Type of instruments	**Financial assets and liabilities held for trading**	**Available-for-sale financial assets**	**Loans and receivables**	**Total**
Debt instruments				
Loans and advances to credit institutions	--	--	4,239,795	4,239,795
Marketable securities	1,656,462	1,125,718	--	2,782,180
Loans and advances to other debtors	--	--	362,639	362,639
Total debt instruments	**1,656,462**	**1,125,718**	**4,602,434**	**7,384,614**
Equity instruments	**11,412**	**15,385**	**--**	**26,797**
Contingent exposures				
Guarantee deposits	--	--	2,555	2,555
Other contingent exposures	--	--	76,107	76,107
Total contingent exposures	**--**	**--**	**78,662**	**78,662**
Other exposures				
Derivatives	179,558	--	--	179,558
Contingent commitments	--	--	155,542	155,542
Total other exposures	**179,558**	**--**	**155,542**	**335,100**
Maximum credit risk exposure level	**1,847,432**	**1,141,103**	**4,836,638**	**7,825,173**

The following should be taken into consideration in relation to the information shown in the above tables:

- Debt instruments recognised in the consolidated balance sheet are reflected at the carrying amount, excluding valuation adjustments (impairment losses, deferral of interest, arrangement and similar commissions pending deferral, etc.) in the asset balances column.

- Contingent exposures comprise available balances bearing no conditions for debtors.

- Contingent exposures are stated at the maximum amount guaranteed by the Group. In general, most of these balances are estimated to reach maturity without requiring any actual financing by the Entity (see note 19).

- Information on other credit risk exposures, such as counterparty risk related to the contracting of derivative financial instruments is stated at the carrying amount.

35.1.2 Classification of credit risk exposure by counterparty

The maximum credit risk exposure level at 31 December 2009 and 2008, classified by counterparty, is as follows:

	2009							
	Thousands of Euros							
	Spanish general government	**Financial institutions**	**Resident companies**	**Other resident sectors**	**Non-resident companies**	**Other non-resident sectors**	**Other operations**	**Total**
Debt instruments								
Loans and advances to credit institutions	--	5,008,663	--	--	--	--	--	5,008,663
Marketable securities	1,358,221	2,902,824	49,658	--	4,775	--	--	4,315,478
Loans and advances to other debtors	3	--	559,441	77,936	--	2,964	46,211	686,555
Total debt instruments	**1,358,224**	**7,911,487**	**609,099**	**77,936**	**4,775**	**2,964**	**46,211**	**10,010,696**
Equity instruments	--	5,227	14,586	--	3,482	--	--	23,295
Contingent exposures								
Guarantee deposits	--	198	1,051	--	--	--	--	1,249
Other contingent exposures	--	20,651	49,058	557	1,952	--	--	72,218
Total contingent exposures	--	**20,849**	**50,109**	**557**	**1,952**	**--**	**--**	**73,467**
Other exposures								
Derivatives	--	81,692	236,915	18,322	--	--	--	336,929
Contingent commitments	--	1,561	129,650	4,684	--	243	--	136,138
Total other exposures	--	**83,253**	**366,565**	**23,006**	**--**	**243**	**--**	**473,067**
Total	**1,358,224**	**8,020,816**	**1,040,359**	**101,499**	**10,209**	**3,207**	**46,211**	**10,580,525**

	2008							
	Thousands of Euros							
	Spanish general government	**Financial institutions**	**Resident companies**	**Other resident sectors**	**Non-resident companies**	**Other non-resident sectors**	**Other operations**	**Total**
Debt instruments								
Loans and advances to credit institutions	--	4,239,795	--	--	--	--	--	4,239,795
Marketable securities	1,441,837	1,264,124	61,895	--	14,324	--	--	2,782,180
Loans and advances to other debtors	9	--	241,138	88,759	--	3,367	29,366	362,639
Total debt instruments	**1,441,846**	**5,503,919**	**303,033**	**88,759**	**14,324**	**3,367**	**29,366**	**7,384,614**
Equity instruments	**--**	**4,321**	**13,063**	**--**	**9,414**	**--**	**--**	**26,797**
Contingent exposures								
Guarantee deposits	--	--	2,430	125	--	--	--	2,555
Other contingent exposures	--	--	75,773	334	--	--	--	76,107
Total contingent exposures	**--**	**--**	**78,203**	**459**	**--**	**--**	**--**	**78,662**
Other exposures								
Derivatives	--	69,698	98,874	10,986	--	--	--	179,558
Contingent commitments	--	26,310	106,881	22,108	--	243	--	155,542
Total other exposures	**--**	**96,008**	**205,755**	**33,094**	**--**	**243**	**--**	**335,100**
Total	**1,441,846**	**5,604,248**	**600,054**	**122,312**	**23,738**	**3,610**	**29,366**	**7,825,173**

35.1.3 Credit rating of credit risk exposures

- Credit rating

The Group uses advanced systems to measure credit risk. The credit rating of public entities, financial institutions and corporate customers is measured through rating systems, while the credit rating of the retail banking portfolio (individual customers, small companies and freelance professionals) is measured using scoring systems.

The distribution of risk at 31 December 2009 and 2008, based on ratings (external or internal, in line with the credit rating models developed by the Group) is as follows:

	2009		2008	
Credit rating	**Thousands of Euros**	**%**	**Thousands of Euros**	**%**
AAA	3,161,698	27,5	3,290,836	39,4
AA+	161,427	1,4	4,340	0,1
AA	262,773	2,3	246,426	3,0
AA-	881,785	7,7	919,382	11,0
A+	3,237,102	28,1	1,212,486	14,5
A	2,144,944	18,6	1,743,438	20,9
A-	954,724	8,3	498,448	6,0
BBB+	122,845	1,1	130,225	1,6
Below BBB+	153,572	1,3	152,680	1,8
Unclassified	429,783	3,7	153,282	1,8
Total	**11,510,653**	**100,0**	**8,351,544**	**100,0**

35.1.4 Assets considered impaired due to a credit risk

Details at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Doubtful assets		
Loans and receivables	1,423	139
Available-for-sale financial assets	337	-

35.1.5. Movement in impairment losses

Movement in impairment losses recognised by the Group in 2009 and 2008 by type of financial asset is as follows:

	Thousands of Euros								
	Balance at 31 December 2007	**Allowances charged to the income statement**	**Amounts used**	**Exchange differences**	**Balance at 31 December 2008**	**Allowances charged to the income statement**	**Amounts used**	**Exchange differences**	**Balance at 31 December 2009**
Available-for-sale financial assets:	**512**	11	--	--	**523**	184	--	--	**707**
Specific	**--**	--	--	--	**--**	336	--	--	**336**
General	**512**	11	--	--	**523**	(152)	--	--	**371**
Loans and receivables	**3,757**	89	--	(12)	**3,834**	3,263	(3)	--	**7,094**
Specific	**--**	35	--	--	**35**	1,221	(3)	--	**1,253**
General	**3,757**	54	--	(12)	**3,799**	2,042	--	--	**5,841**
Contingent exposures and commitments	**1,141**	93	(692)	--	**542**	(49)	--	--	**493**
Total	**5,410**	**193**	**(692)**	**(12)**	**4,899**	**3,398**	**(3)**	**--**	**8,294**

Details of impairment losses recorded to cover specific risks (determined individually) and general risks (determined collectively), classified by counterparty and geographical location of risk, are as follows:

	Thousands of Euros			
	Specific		**General**	
	2009	**2008**	**2009**	**2008**
Counterparty				
Other resident private sectors	1,253	35	6,626	4,723
Other non-resident private sectors	**336**	**--**	79	141
Total	**1,589**	**35**	**6,705**	**4,864**
Geographical location of risk				
Spain	1,253	35	6,626	4,723
Europe	157	--	52	126
United States	179	--	4	7
Other		--	23	8
Total	**1,589**	**35**	**6,705**	**4,864**

35.1.6. Impaired and derecognised financial assets

Movement in impaired financial assets not recognised in the consolidated balance sheet as their recovery is considered unlikely, although the Group has not discontinued action to collect the amounts receivable, is as follows:

	Thousands of Euros	
	2009	**2008**
Opening balance	**704**	**12**
Additions		
Impairment allowances	3	692
Disposals		
Pardoning of debt	(292)	--
Other items	(1)	--
Closing balance	**414**	**704**

35.2 Liquidity risk

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

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

- The liquidity gap, which reflects the maturity structure of financial assets and liabilities, considering the period between the analysis date and the contractual maturity date. The liquidity gap at 31 December 2009 and 2008 is as follows:

	2009							
	Thousands of Euros							
	Demand	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undetermined maturity**	**Total**
Assets								
Cash and balances with central banks	1,147,070	--	--	--	--	--	--	1,147,070
Loans and advances to credit institutions	106,397	1,177,984	140,318	1,701,169	1,886,466	40,200		5,052,534
Loans and advances to other debtors	1,926	318,975	34,852	113,207	71,622	96,839	46,211	683,632
Available-for-sale financial assets	--	366,387	383,994	370,324	534,551	86,253	--	1,741,509
Other fixed-interest securities	--	692,882	879,539	897,849	91,411	6,412	--	2,568,093
Other assets	--	4,371	15,678	5,567	61,345	249,968	112,779	449,708
Total assets	**1,255,393**	**2,560,599**	**1,454,381**	**3,088,116**	**2,645,395**	**479,672**	**158,990**	**11,642,546**
Liabilities								
Deposits from central banks and credit institutions	108,332	3,220,149	911,810	2,363,687	415,106	58,288	--	7,077,372
Subordinated financing	--	--	--	--	10,585	10,020	--	20,605
Debt certificates including bonds	--	--	--	--	1,555,078	--	--	1,555,078
Deposits from general governments	334,886	--	--	--	--	--	--	334,886
Deposits from other creditors	941,130	572,591	377,521	87,774	11,308	--	--	1,990,324
Other liabilities	5,389	14,654	5,951		62,251	253,658	322,378	664,281
Total liabilities	**1,389,737**	**3,807,394**	**1,295,282**	**2,451,461**	**2,054,328**	**321,966**	**322,378**	**11,642,546**
Simple gap	(134,344)	(1,246,795)	159,099	636,655	591,067	157,706	(163,388)	--
Accumulated gap	(134,344)	(1,381,139)	(1,222,040)	(585,385)	5,682	163,388	--	--

	2008							
	Thousands of Euros							
	Demand	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undeter-mined maturity**	**Total**
Assets								
Cash and balances with central banks	31,468	720,000	--	--	--	--	--	751,468
Loans and advances to credit institutions	99,720	2,674,705	393,539	550,745	465,900	55,019	16,699	4,256,327
Loans and advances to other debtors	--	10,787	26,060	101,105	71,745	119,848	33,964	363,508
Available-for-sale financial assets	--	297,874	334,069	392,576	70,337	30,863	--	1,125,718
Other fixed-interest securities	--	250,332	277,519	974,990	77,216	76,405	--	1,656,462
Other assets	--	--	--	--	--	--	292,614	292,614
Total assets	**131,188**	**3,953,697**	**1,031,187**	**2,019,415**	**685,198**	**282,134**	**343,277**	**8,446,097**
Liabilities								
Deposits from central banks and credit institutions	2,111,720	1,200,335	759,852	1,128,642	505,539	77,751	--	5,783,839
Subordinated financing	--	--	--	--	20,682	--	--	20,682
Debt certificates including bonds	--	100,909	--	--	--	--	--	100,909
Deposits from general governments	264,225	--	--	--	--	--	--	264,225
Deposits from other creditors	308,991	920,953	363,830	259,980	6,242	203	--	1,860,200
Other liabilities	--	--	--	--	--	--	416,242	416,242
Total liabilities	**2,684,936**	**2,222,197**	**1,123,682**	**1,388,622**	**532,463**	**77,954**	**416,242**	**8,446,097**
Simple gap	(2,553,748)	1,731,500	(92,495)	630,793	152,735	204,180	(72,965)	--
Accumulated gap	(2,553,748)	(822,248)	(914,743)	(283,950)	(131,215)	72,965	--	--

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

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

<u>35.3 Interest rate exposure</u>

To support management of interest rate risk, the Bank’s Assets and Liabilities Committee uses the repricing gap to analyse the overall time difference between maturity and repricing of assets and liabilities. The repricing gap is calculated by grouping assets and liabilities by the carrying amount based on interest rate repricing dates or by maturity considering the pending principal. In the case of callable liabilities for which there is no contractual maturity date, the repricing structure responds to the historical stability of the balances. The maximum period for demand balances with returns under 0.5% is 2.5 years.

The repricing gaps at 31 December 2009 and 2008 are as follows:

	2009							
	Thousands of Euros							
	Demand	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undeter-mined maturity**	**Total**
Assets								
Cash and balances with central banks	1,147,070	--	--	--	--	--	--	1,147,070
Loans and advances to credit institutions	70,340	1,177,454	202,626	1,858,312	1,732,581	11,222	--	5,052,534
Loans and advances to other debtors	1,926	379,823	107,498	142,761	5,084	328	46,211	683,632
Available-for-sale financial assets	--	366,387	383,994	370,324	534,551	86,253	--	1,741,509
Other fixed-interest securities	--	692,882	879,539	897,849	91,411	6,412	--	2,568,093
Other assets	1,147,070	--	--	--	--	--	449,708	449,708
Total assets	**1,219,336**	**2,616,546**	**1,573,656**	**3,269,247**	**2,363,627**	**104,215**	**495,919**	**11,642,546**
Liabilities								
Deposits from central banks and credit institutions	--	3,383,869	985,790	2,439,859	238,379	29,475	--	7,077,372
Subordinated financing	--	--	10,585	10,020	--	--	--	20,605
Debt certificates including bonds	--	--	--	--	1,555,078	--	--	1,555,078
Deposits from general governments	334,886	--	--	--	--	--	--	334,886
Deposits from other creditors	941,130	572,591	377,521	87,774	11,308	--	--	1,990,324
Other liabilities	--	--	--	--	--	--	664,281	664,281
Total liabilities	**1,276,016**	**3,956,460**	**1,363,311**	**2,527,633**	**1,804,765**	**29,475**	**684,886**	**11,642,546**
Off-balance sheet operations	--	678,950	10,500	(352,400)	(337,500)	--	--	--
Simple gap	(56,680)	(660,684)	210,260	379,194	221,812	74,740	(168,362)	--
Accumulated gap	(56,680)	(717,644)	(507,384)	(128,190)	93,622	168,362	--	--

	2008							
	Thousands of Euros							
	Demand	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity	Total
Assets								
Cash and balances with central banks	31,468	720,000	--	--	--	--	--	751,468
Loans and advances to credit institutions	99,720	2,746,983	460,184	687,709	244,142	17,589	--	4,256,327
Loans and advances to other debtors	2	68,413	112,005	173,819	8,597	673	--	363,508
Available-for-sale financial assets	--	343,728	369,555	386,655	13,946	11,834	--	1,125,718
Other fixed-interest securities	--	250,332	277,679	1,007,886	44,390	76,175	--	1,656,462
Other assets							292,614	292,614
Total assets	**131,190**	**4,129,455**	**1,219,423**	**2,256,068**	**311,076**	**106,271**	**292,614**	**8,446,097**
Liabilities								
Deposits from central banks and credit institutions	--	3,528,357	827,678	1,120,300	280,302	27,202	--	5,783,839
Subordinated financing	10,576	--	--	10,106	--	--	--	20,682
Debt certificates including bonds	100,909	--	--	--	--	--	--	100,909
Deposits from general governments	226,565	--	--	--	--	--	37,660	264,225
Deposits from other creditors	20,388	1,212,874	364,860	255,783	6,092	203		1,860,200
Other liabilities							416,242	416,242
Total liabilities	**358,438**	**4,741,230**	**1,192,538**	**1,386,189**	**286,394**	**27,405**	**453,902**	**8,446,097**
Off-balance sheet operations	**--**	**41,000**	**(41,000)**	**51,800**	**(51,000)**	**(800)**	**--**	**--**
Simple gap	(227,248)	(570,776)	(14,115)	921,679	(26,319)	78,066	(161,288)	--
Accumulated gap	(227,248)	(798,024)	(812,139)	109,540	83,222	161,288	--	--

To measure interest rate risk, the Risk Control Unit simulates the financial margin over a 12-month period under different interest rate scenarios, assuming certain historical conditions relating to growth, applied spreads, repricing periods, stability of receivables on demand, etc. At 31 December 2009 and 2008, the sensitivity of the financial margin to a 100-base point parallel rise of the interest rate curve over a 12-month period is as follows:

	2009	2008
Sensitivity of the financial margin	4.77%	6.50%

The interest rate risk is also analysed considering the economic value of equity measured as the effect of changes in the interest rate on the net present value of future expected flows from balance sheet items. The sensitivity of the Bank’s economic value to a 100 base point parallel displacement of the interest rate curve at 31 December 2009 and 2008 is as follows:

	2009	2008
Sensitivity of equity	3.00%	3.79%

35.4 Market risk

Market risk is managed through the value at risk methodology (VaR), which limits losses incurred as a result of adverse changes in market prices. Value at risk is calculated on a daily basis for the entire treasury and capital market area, irrespective of the nature of portfolios. The average VaR in 2009 is Euros 1,460 thousand (Euros 648 thousand in 2008) and the maximum VaR is Euros 2,326 thousand (Euros 1,148 thousand in 2008).

	Thousands of Euros	
	2009	**2008**
Average VaR	1,460	648
Maximum VaR	2,326	1,148

Based on the nature of the risk factor, interest rate variations are the Bank’s largest risk factor. The distribution by risk factor at 31 December 2009 and 2008 is as follows:

	Distribution	
	2009	**2008**
Interest rate	76.0	76.5
Variable income	24.0	23.5

35.5 Exchange rate risk

Asset and liability items recognised in the Bank’s consolidated balance sheet denominated in the most significant currencies at 31 December 2009 and 2008 are as follows:

	Thousands of Euros			
	2009		**2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
US Dollar	69,214	66,932	62,095	60,793
Pound Sterling	5,628	5,522	4,944	4,345
Swiss Franc	475	419	811	629
Norwegian Krone	1,579	1,562	1,002	1,008
Swedish Krona	15	12	70	55
Canadian Dollar	176	153	201	164
Danish Krone	23	18	47	28
Japanese Yen	984	984	1,459	1,443
Other	328	245	394	361
Total	**78,422**	**75,847**	**71,023**	**68,826**

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

	Thousands of Euros			
	2009		2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Loans and advances to credit institutions	68,714	--	59,148	--
Loans and advances to other debtors	9,148	--	9,601	--
Other assets	560	--	2,274	--
Total	**78,422**	--	**71,023**	--
Loans and advances to credit institutions	--	67,757	--	46,023
Deposits from other creditors	--	8,090	--	22,083
Total	--	**75,847**	--	**68,826**

35 .6 Risk concentration

Risk concentration is defined as a risk that could affect the Group's consolidated income statement and its consolidated equity as a result of holding financial instruments of similar characteristics, which could therefore be similarly affected by economic or other types of changes.

The Group has established policies to limit the Group's exposure to certain risks. These policies are set in coordination with other risk management policies and within the framework of the Entity's strategic plan. Risk concentrations and limits are measured considering the different risks the Group is exposed to, taking into account the nature and rating of the different financial instruments of the Group, analysed at different levels (entity, group, sector, country, etc.).

The carrying amount of the different financial instruments is used to measure risk concentration.

In addition to information provided in the preceding notes to the annual accounts regarding concentration by foreign currency, type of counterparty and credit rating of financial assets exposed to credit risks (see section 1.3 of this note), details of risk concentration by geographical area at 31 December 2009 and 2008 are as follows:

	2009				
	Thousands of Euros				
	Spain	**Rest of EU**	**United States**	**Other**	**Total**
By type of financial instrument					
Loans and advances to credit institutions	4,900,293	93,819	5,601	8,950	5,008,663
Loans and advances to other debtors	683,539	2,543	68	405	686,555
Debt securities	4,281,868	23,492	6,246	3,872	4,315,478
Equity instruments	18,043	3,988	446	818	23,295
Trading derivatives	330,815	644	325	5,145	336,929
Total	**10,214,558**	**124,486**	**12,686**	**19,190**	**10,370,920**
By category of financial instrument					
Financial assets held for trading	2,902,459	3,782	3,455	6,663	2,916,359
Available-for-sale financial assets	1,728,267	24,342	3,562	3,172	1,759,343
Loans and receivables	5,583,832	96,362	5,669	9,355	5,695,218
Total	**10,214,558**	**124,486**	**12,686**	**19,190**	**10,370,920**

	2008				
	Thousands of Euros				
	Spain	**Rest of EU**	**United States**	**Other**	**Total**
By type of financial instrument					
Loans and advances to credit institutions	4,007,473	229,586	2,423	313	4,239,795
Loans and advances to other debtors	359,273	2,894	112	360	362,639
Debt securities	2,736,688	32,746	8,971	3,775	2,782,180
Equity instruments	17,282	5,389	2,050	2,076	26,797
Trading derivatives	173,440	5,102	1,016	--	179,558
Total	**7,294,156**	**275,717**	**14,572**	**6,524**	**7,590,969**
By category of financial instrument-					
Financial assets held for trading	1,830,871	9,634	6,357	570	1,847,432
Available-for-sale financial assets	1,096,413	34,354	--	10,336	1,141,103
Loans and receivables	4,366,747	232,479	2,535	673	4,602,434
Total	**7,294,031**	**276,467**	**8,892**	**11,579**	**7,590,969**

Appendix I.a.

BANCO COOPERATIVO ESPAÑOL, S.A. - Balance sheets at 31 December 2009 and 2008

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

(in thousands of Euros)

ASSETS	2009	2008
1. CASH AND BALANCES WITH CENTRAL BANKS	1,147,070	751,468
2. FINANCIAL ASSETS HELD FOR TRADING	2,916,359	1,847,432
2.1. Loans and advances to credit institutions	-	-
2.2. Loans and advances to other debtors	-	-
2.3. Debt securities	2,568,093	1,656,462
2.4. Equity instruments	11,337	11,412
2.5. Trading derivatives	336,929	179,558
Memorandum item: Loaned or pledged	658,434	1,133,696
3. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
3.1. Loans and advances to credit institutions	-	-
3.2. Loans and advances to other debtors	-	-
3.3. Debt securities	-	-
3.4. Equity instruments	-	-
Memorandum item: Loaned or pledged	-	-
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	1,753,447	1,141,084
4.1. Debt securities	1,741,509	1,125,718
4.2. Equity instruments	11,938	15,366
Memorandum item: Loaned or pledged	329,686	720,935
5. LOANS AND RECEIVABLES	5,736,166	4,619,835
5.1. Loans and advances to credit institutions	5,052,534	4,256,327
5.2. Loans and advances to other debtors	683,632	363,508
5.3. Debt securities	-	-
Memorandum item: Loaned or pledged	-	-
6. HELD-TO-MATURITY INVESTMENTS	-	-
Memorandum item: Loaned or pledged	-	-
7. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
8. HEDGING DERIVATIVES	-	-
9. NON-CURRENT ASSETS HELD FOR SALE	-	-
10. EQUITY INVESTMENTS	20,883	20,883
10.1. Associates	9,434	9,434
10.2. Jointly-controlled entities	-	-
10.3. Group entities	11,449	11,449
11. INSURANCE CONTRACTS LINKED TO PENSIONS	-	-
13. TANGIBLE ASSETS	1,959	1,756
13.1. Tangible assets	1,959	1,756
13.1.1. For own use	1,959	1,756
13.1.2. Leased out under operating leases	-	-
13.1.3. Assigned to welfare projects (savings banks and credit cooperatives)	-	-
13.2. Investment properties	-	-
Memorandum item: Acquired under a financial lease	-	-
14. INTANGIBLE ASSETS	1,898	1,770
14.1. Goodwill	-	-
14.2. Other intangible assets	1,898	1,770
15. TAX ASSETS	1,666	1,714
15.1. Current	164	820
15.2. Deferred	1,502	894
16. OTHER ASSETS	63,098	60,155
TOTAL ASSETS	**11,642,546**	**8,446,097**

LIABILITIES AND EQUITY	2009	2008
LIABILITIES		
1. FINANCIAL LIABILITIES HELD FOR TRADING	**372,920**	**228,996**
1.1. Deposits from central banks	-	-
1.2. Deposits from credit institutions	31,017	44,460
1.3. Deposits from other creditors	-	-
1.4. Debt certificates including bonds	-	-
1.5. Trading derivatives	341,903	184,536
1.6. Short positions	-	-
1.7. Other financial liabilities	-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
2.1. Deposits from central banks	-	-
2.2. Deposits from credit institutions	-	-
2.3. Deposits from other creditors	-	-
2.4. Debt certificates including bonds	-	-
2.5. Subordinated liabilities	-	-
2.6. Other financial liabilities	-	-
3. FINANCIAL LIABILITIES AT AMORTISED COST	**10,991,474**	**7,994,508**
3.1. Deposits from central banks	1,435,454	1,077,963
3.2. Deposits from credit institutions	5,641,918	4,661,416
3.3. Deposits from other creditors	2,325,210	2,124,425
3.4. Debt certificates including bonds	1,555,078	100,909
3.5. Subordinated liabilities	20,605	20,682
3.6. Other financial liabilities	13,209	9,113
4. CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
5. HEDGING DERIVATIVES	**6,013**	-
6. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
8. PROVISIONS	**493**	**542**
8.1. Provisions for pensions and similar obligations	-	-
8.2. Provisions for taxes and other legal contingencies	-	-
8.3. Provisions for contingent exposures and commitments	493	542
8.4. Other provisions	-	-
9. TAX LIABILITIES	**3,128**	**2,869**
9.1. Current	1,672	1,951
9.2. Deferred	1,456	918
10. WELFARE FUNDS	-	-
11. OTHER LIABILITIES	**15,175**	**17,764**
12. CAPITAL REIMBURSABLE ON DEMAND	-	-
TOTAL LIABILITIES	**11,389,203**	**8,244,679**
EQUITY		
1. SHAREHOLDERS' EQUITY	**250,049**	**199,379**
1.1. Share capital or assigned capital	77,455	72,938
1.1.1. Registered	90,998	72,938
1.1.2. Less: Uncalled capital (-)	13,543	-
1.2. Share premium	85,948	49,008
1.3. Reserves	73,863	69,229
1.4. Other equity instruments	-	-
1.4.1. Equity component of compound financial instruments	-	-
1.4.2. Non-voting equity units and associated funds (savings banks only)	-	-
1.4.3. Other equity instruments	-	-
1.5. *Less: Treasury shares*	-	-
1.6. Profit for the year	15,783	11,204
1.7. Less: Dividends and remuneration	(3,000)	(3,000)
2. VALUATION ADJUSTMENTS	**3,294**	**2,039**
2.1. Available-for-sale financial assets	3,294	2,039
2.2. Cash flow hedges	-	-
2.3. Hedges of net investments in foreign operations	-	-
2.4. Exchange differences	-	-
2.5. Non-current assets held for sale	-	-
2.7. Other valuation adjustments	-	-
TOTAL EQUITY	**253,343**	**201,418**
TOTAL LIABILITIES AND EQUITY	**11,642,546**	**8,446,097**
MEMORANDUM ITEM		
1. CONTINGENT EXPOSURES	**74,494**	**78,739**
2. CONTINGENT COMMITMENTS	**142,826**	**160,759**

Appendix I.b.

Banco Cooperativo Español, S.A.

Income statements for the years ended 31 December 2009 and 2008

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

(in thousands of Euros)	2009	2008
1. INTEREST AND SIMILAR INCOME	192,900	302,616
2. INTEREST EXPENSE AND SIMILAR CHARGES	163,292	281,446
3. EQUITY REFUNDABLE ON DEMAND	-	-
A) INTEREST MARGIN	29,608	21,170
4. DIVIDEND INCOME	4,126	3,729
6. FEE AND COMMISSION INCOME	11,465	13,941
7. FEE AND COMMISSION EXPENSE	5,025	6,586
8. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	3,157	876
8.1. Held for trading	1,309	121
8.2. Other financial instruments at fair value through profit or loss	-	-
8.3. Financial instruments not carried at fair value through profit or loss	1,848	755
8.4. Other	-	-
9. EXCHANGE DIFFERENCES (NET)	249	426
10. OTHER OPERATING INCOME	1,069	1,082
11. OTHER OPERATING EXPENSES	127	205
B) GROSS MARGIN	44,522	34,433
12. ADMINISTRATIVE EXPENSES	19,150	18,552
12.1. Personnel expenses	12,584	11,537
12.2. Other administrative expenses	6,566	7,015
13. DEPRECIATION AND AMORTISATION	1,341	1,197
14. PROVISIONING EXPENSE (NET)	(38)	111
15. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	3,741	91
15.1. Loans and receivables	3,257	80
15.2. Other financial instruments not carried at fair value through profit or loss	484	11
C) PROFIT ON OPERATING ACTIVITIES	20,328	14,482
16. IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	-	-
16.1. Goodwill and other intangible assets	-	-
16.2. Other assets	-	-
17. GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	-	-
18. NEGATIVE DIFFERENCES ON BUSINESS COMBINATIONS	-	-
19. GAINS/(LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	-	-
D) PROFIT BEFORE TAX	20,328	14,482
20. INCOME TAX	4,545	3,278
21. MANDATORY TRANSFER TO WELFARE FUNDS	-	-
E) PROFIT FROM CONTINUING OPERATIONS	15,783	11,204
22. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (NET)	-	-
F) PROFIT FOR THE YEAR	15,783	11,204

Appendix I.c.

STATEMENT OF RECOGNISED INCOME AND EXPENSES for the years ended 31 December 2009 and 2008

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

(in thousands of Euros)	2009	2008
A) PROFIT FOR THE YEAR	15,783	11,204
B) OTHER RECOGNISED INCOME AND EXPENSES	1,255	1,075
1. Available-for-sale financial assets	1,795	1,534
1.1. Revaluation gains/(losses)	4,802	2,263
1.2. Amounts transferred to the income statement	(3,007)	(729)
1.3. Other reclassifications	-	-
2. Cash flow hedges	-	-
2.1. Revaluation gains/(losses)	-	-
2.2. Amounts transferred to the income statement	-	-
2.3. Amounts transferred to the initial carrying amount of hedged items	-	-
2.4. Other reclassifications	-	-
3. Hedges of net investments in foreign operations	-	-
3.1. Revaluation gains/(losses)	-	-
3.2. Amounts transferred to the income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	-	-
4.1. Revaluation gains/(losses)	-	-
4.2. Amounts transferred to the income statement	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	-	-
5.1. Revaluation gains/(losses)	-	-
5.2. Amounts transferred to the income statement	-	-
5.3. Other reclassifications	-	-
6. Actuarial gains/(losses) on pension plans	-	-
8. Other recognised income and expenses	-	-
9. Income tax	(540)	(459)
C) TOTAL RECOGNISED INCOME AND EXPENSES (A+B)	17,038	12,279

Appendix I.c.

STATEMENT OF TOTAL CHANGES IN EQUITTY for the years ended 31 December 2009 and 2008

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

(in thousands of Euros)	SHAREHOLDERS' EQUITY								VALUATION ADJUSTMENTS		TOTAL EQUITY
			RESERVES								
	Share capital or assigned capital	Share premium	Revaluation reserves	Other reserves /(losses)	Total reserves	Profit for the year	Less: dividends and remuneration	Total shareholders' equity	Available-for-sale financial assets	Other valuation adjustments	
1. Closing balance at 31 December 2007	72,938	49,008	169	56,566	56,735	15,494	-	194,175	964	964	195,139
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	72,938	49,008	169	56,566	56,735	15,494	-	194,175	964	964	195,139
3. Total recognised income and expenses	-	-	-	-	-	11,204	-	11,204	1,075	1,075	12,279
4. Other changes in equity	-	-	(1)	12,495	12,494	(15,494)	(3,000)	(6,000)	-	-	(6,000)
4.1 Increases in share capital/assigned capital	-	-	-	-	-	-	-	-	-	-	-
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-
4.4 Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities into other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments into financial liabilities	-	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends/shareholder remuneration	-	-	-	-	-	(3,000)	(3,000)	(6,000)	-	-	(6,000)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	(1)	12,495	12,494	(12,494)	-	-	-	-	-
4.10 Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretional contributions to welfare funds (savings banks and credit cooperatives only)	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity-settled payments	-	-	-	-	-	-	-	-	-	-	-
4.13 Other equity increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-
5. Closing balance at 31 December 2008	72,938	49,008	168	69,061	69,229	11,204	(3,000)	199,379	2,039	2,039	201,418

Appendix I.c.

STATEMENT OF TOTAL CHANGES IN EQUITTY for the years ended 31 December 2009 and 2008

(in thousands of Euros)	SHAREHOLDERS' EQUITY								VALUATION ADJUSTMENTS		TOTAL EQUITY
			RESERVES								
	Share capital or assigned capital	Share premium	Revaluation reserves	Other reserves /(losses)	Total reserves	Profit for the year	Less: dividends and remuneration	Total shareholders' equity	Available-for-sale financial assets	Other valuation adjustments	
1. Closing balance at 31 December 2008	72,938	49,008	168	69,061	69,229	11,204	(3,000)	199,379	2,039	2,039	201,418
1.1 Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
1.2 Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	72,938	49,008	168	69,061	69,229	11,204	(3,000)	199,379	2,039	2,039	201,418
3. Total recognised income and expenses	-	-	-	-	-	15,783	-	15,783	1,255	1,255	17,038
4. Other changes in equity	4,517	36,940	(1)	4,635	4,634	(11,204)	-	34,887	-	-	34,887
4.1 Increases in share capital/assigned capital	4,517	36,940	-	-	-	-	-	41,457	-	-	41,457
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-
4.4 Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities into other equity instruments	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments into financial liabilities	-	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends/shareholder remuneration	-	-	-	-	-	(3,000)	(3,000)	(6,000)	-	-	(6,000)
4.8 Operations with own equity instruments (net)	-	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	(1)	5,205	5,204	(8,204)	3,000	-	-	-	-
4.10 Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretional contributions to welfare funds (savings banks and credit cooperatives only)	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity-settled payments	-	-	-	-	-	-	-	-	-	-	-
4.13 Other equity increases/(decreases)	-	-	-	(570)	(570)	-	-	(570)	-	-	(570)
5. Closing balance at 31 December 2009	77,455	85,948	167	73,696	73,863	15,783	(3,000)	250,049	3,294	3,294	253,343

Appendix I.d.

CASH FLOW STATEMENTS for the years ended 31 December 2009 and 2008

(in thousands of Euros)	2009	2008
A). CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	372,206	(1,866,513)
1. Profit for the year	15,783	11,204
2. Adjustments to obtain cash flows from operating activities	9,627	4,659
2.1. Depreciation and amortisation	1,341	1,197
2.2. Other adjustments	8,286	3,462
3. Net increase/decrease in operating assets	2,800,107	1,822,037
3.1. Financial assets held for trading	1,068,927	348,239
3.2. Other financial assets at fair value through profit or loss	-	-
3.3. Available-for-sale financial assets	611,108	220,037
3.4. Loans and receivables	1,120,072	1,253,761
3.5. Other operating assets	-	-
4. Net increase/decrease in operating liabilities	3,146,903	(58,079)
4.1. Financial liabilities held for trading	143,924	(101,109)
4.2. Other financial liabilities at fair value through profit or loss	-	-
4.3. Financial liabilities at amortised cost	2,996,966	43,030
4.4. Other operating liabilities	6,013	-
5. Income tax payments	(5,169)	(2,267)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(4,567)	(13,205)
6. Payments	4,567	13,205
6.1. Tangible assets	555	696
6.2. Intangible assets	1,117	1,550
6.3. Equity investments	-	1,667
6.4. Other business units	-	-
6.5. Non-current assets and associated liabilities held for sale	-	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments relating to investing activities	2,895	9,292
7. Collections	-	-
7.1. Tangible assets	-	-
7.2. Intangible assets	-	-
7.3. Equity investments	-	-
7.4. Other business units	-	-
7.5. Non-current assets and associated liabilities held for sale	-	-
7.6. Held-to-maturity investments	-	-
7.7. Other payments relating to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	27,963	547
8. Payments	13,494	9,460
8.1. Dividends	6,000	6,000
8.2. Subordinated liabilities	-	-
8.3. Redemption of own equity instruments	-	-
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments relating to financing activities	7,494	3,460
9. Collections	41,457	10,007
9.1. Subordinated liabilities	-	10,007
9.2. Issuance of own equity instruments	41,457	-
9.3. Disposal of own equity instruments	-	-
9.4 Other collections relating to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	395,602	(1,879,171)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	751,468	2,630,639
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,147,070	751,468
MEMORANDUM ITEM		
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
1.5. Cash	438	448
1.6. Cash equivalents at central banks	1,146,632	751,020
1.7. Other financial assets	-	-
1.8. Less: Bank overdrafts repayable on demand	-	-
Total cash or cash equivalents at end of the year	1,147,070	751,468

This Appendix forms an integral part of Note 1 to the consolidated annual accounts for 2009, in conjunction with which it should be read.

Appendix II

Fully consolidated subsidiaries

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

2009

Company	Registered offices	Activity	% ownership Direct	% ownership Indirect	Thousands of Euros Amount of interest	Capital and reserves	Total assets	Profit/(loss)	Revenues
Rural Informática, S.A.	Madrid	IT services	99.8	0.2	6,822	11,346	13,642	1,097	1,355
Gescooperativo, S.A., S.G.I.I.C.	Madrid	Collective investment management	--	100	1,893	8,703	11,650	906	3,081
Rural Inmobiliario, S.L.	Madrid	Real-estate holding	100	--	3,486	8,371	15,545	126	672
BCE Formación, S.A.	Madrid	Training services	100	--	60	313	799	339	873
Espiga Capital Gestión, S.G.E.C.R., SA.	Madrid	Venture capital management	80	--	481	778	1,458	365	1,739
Rural Renting, S.A.	Madrid	Financing services	100	--	600	848	5,906	33	177

2008

Company	Registered offices	Activity	% ownership Direct	% ownership Indirect	Thousands of Euros Amount of interest	Capital and reserves	Total assets	Profit/(loss)	Revenues
Rural Informática, S.A.	Madrid	IT services	99.8	0.2	6,822	11,107	11,660	1,239	1,774
Gescooperativo, S.A., S.G.I.I.C.	Madrid	Collective investment management	--	100	1,893	8,040	11,848	1,563	3,942
Rural Inmobiliario, S.L.	Madrid	Real-estate holding	100	--	3,486	8,310	15,603	59	457
BCE Formación, S.A.	Madrid	Training services	100	--	60	265	980	348	1,044
Espiga Capital Gestión, S.G.E.C.R., SA.	Madrid	Venture capital management	80	--	481	774	2,375	1,654	3,527
Rural Renting, S.A.	Madrid	Financing services	100	--	600	763	10,046	86	268

Appendix II (cont.)

Associates

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

2009

			% ownership		Thousands of Euros				
Company	**Registered offices**	**Activity**	**Direct**	**Indirect**	**Amount of interest**	**Capital and reserves**	**Total assets**	**Profit/(Loss)**	**Revenues**
Mercavalor, S.V., S.A.	Madrid	Stock exchange company	20	--	1,558	9,147	14,629	537	7,329
Espiga Capital Inversión, S.C.R. de R.S., S.A.	Madrid	Venture capital	8.40	0.75	6,824	101,713	104,093	1,309	3,036
Espiga Capital Inversión II, S.C.R. de R.S. S.A.	Madrid	Venture capital	6.37	--	1,052	5,272	4,591	(686)	103

2008

			% ownership		Thousands of Euros				
Company	**Registered offices**	**Activity**	**Direct**	**Indirect**	**Amount of interest**	**Capital and reserves**	**Total assets**	**Profit/(loss)**	**Revenues**
Mercavalor, S.V., S.A.	Madrid	Stock exchange company	20.0	--	1,558	8,157	11,941	991	10,596
Espiga Capital Inversión, S.C.R. de R.S., S.A.	Madrid	Venture capital	8.40	0.75	6,824	95,833	116,881	20,961	29,795
Espiga Capital Inversión II, S.C.R. de R.S. S.A.	Madrid	Venture capital	6.37	--	1,052	4,924	6,058	628	709

This Appendix forms an integral part of Note 1.e) to the consolidated annual accounts for 2009, in conjunction with which it should be read.

Appendix III

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

NAME	COMPANY	ACTIVITY	% ownership	POSITION
Mr. José Luis García Palacios	**CAJA RURAL DEL SUR, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. Wolfgang Kirsch	**DZ BANK**	**Credit institution**	---	Chairman of the Board of managing Directors DZ Bank
Mr. José Antonio Alayeto Aguarón	**CAJA RURAL ARAGONESA Y DE LOS PIRINEOS, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. Ignacio Arrieta del Valle	**CAJA RURAL DE NAVARRA, S.C.C**	**Credit institution**	**Less than 0.1%**	**General Manager**
Mr. Nicanor Bascuñana Sánchez	**CAJA RURAL CENTRAL, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
	OTHER	**Credit institutions**	**Less than 0.1%**	**None**
Mr. Bruno Catalán Sebastián	**CAJA RURAL DE ARAGÓN, S.C.C.**	**Credit institution**	**Less than 0.75%**	**Chairman**
	OTHER	**Credit institutions**	**Less than 0.1%**	**None**
Mr. Eduardo Ferrer Perales	**RURALCAJA**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. Luis Esteban Chalmovsky	**DZ BANK**	**Credit institution**	--	Managing director. Head of cooperative banking division
Mr. Román Suárez Blanco	**CAJA RURAL DE ASTURIAS, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. Carlos de la Sierra Torrijos	**CAJA RURAL DE CUENCA, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. Luis Díaz Zarco	**CAJA RURAL DE CIUDAD REAL, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. José Luis García Palacios (Chairman)	**CAJA RURAL DE JAÉN, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. Andrés Gómez Mora	**CAJA RURAL DE TOLEDO, S.C.C.**	**Credit institution**	**Less than 0.55%**	**Chairman**
Mr. Carlos Martínez Izquierdo	**CAJA RURAL DE SORIA, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
Mr. Dimas Rodríguez Rute	**CAJA RURAL DE GRANADA, S.C.C.**	**Credit institution**	**Less than 0.1%**	**General Manager**
Mr. Juan Antonio Gisbert García	**RURALCAJA**	**Credit institution**	**Less than 0.1%**	**General Manager**
	OTHER	**Credit institutions**	**Less than 0.1%**	**None**
Mr. Cipriano García Rodríguez	**CAJA RURAL DE ZAMORA, C.C.**	**Credit institution**	**Less than 0.1%**	**General Manager**
	OTHER	**Credit institutions**	**Less than 0.1%**	**None**
Mr. Pedro García Romera	**CAJA RURAL DE BURGOS, S.C.C.**	**Credit institution**	**Less than 0.1%**	**Chairman**
	OTHER	**Credit institutions**	**Less than 0.1%**	**None**
Mr. Antonio Abelló Dalmases	**CAJA RURAL DE CASTELLÓN, S.C.C.V.**	**Credit institution**	**Less than 0.1%**	**General Manager**
Mr. Fernando Palacios González	**CAJA RURAL DE ALMENDRALEJO, S.C.C.**	**Credit institution**	**Less than 1%**	**General Manager**

This Appendix forms an integral part of Note 4 to the consolidated annual accounts for 2009, in conjunction with which it should be read.

Directors' Report

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

This directors' report summarises the activity of the Banco Cooperativo Español, S.A. Group from 1 January to 31 December 2009, the Bank's nineteenth year since its incorporation in July 1990.

<u>Economic environment</u>

The International Monetary Fund (IMF) indicated that international recovery got off to a stronger start than expected, but is moving at a different rate in each region. Following the worst global downturn in recent history, economic growth gathered strength and spread to the most advanced economies in the second half of 2009, and world GDP is expected to increase by 4% in 2010.

Global production and commerce picked up in the second half of 2009. The world once again began to place its confidence in the financial and real sectors, as extraordinary policies were implemented to avoid another Great Depression. In the more advanced economies the start of a change to inventory cycles and the sudden boost in consumption in the United States contributed to positive performance. Domestic demand among end customers was very high in certain key emerging and developing economies, although changes to the inventory cycle and the normalisation of international commerce were also important factors. International recovery was driven by stimulus measures with an extraordinary scope.

Monetary policy has been extremely expansive, with interest rates falling to all-time lows in the majority of advanced economies, as well in as some emerging regions. The balance sheets of the central banks in the main advanced economies have grown to unprecedented highs. Tax policies also provided an important stimulus as a response to the significant slowdown, and public support provided to the financial sector was crucial in putting an end to the negative interaction between the financial sector and the real sector. Meanwhile, there is still little indication that autonomous private demand (i.e. demand not brought about by policies) is being consolidated, at least not in the advanced economies.

Forecasts point to a 2% expansion in the GDP of advanced economies in 2010, following the severe contraction seen in 2009. Despite this reviewed forecast, recovery is still expected to be weak in these regions compared to historical figures, and actual GDP is expected to remain below pre-crisis levels until the end of 2011. High unemployment levels and soaring public debt, as well as only partial recovery of the financial systems and, in certain countries, low household expenditure, will also further hinder the recovery of these economies.

Growth in emerging and developing economies is expected to increase to 6% in 2010, following the modest level of 2% recorded in 2009. Increasingly stable financial frameworks and the rapid implementation of policies have helped many emerging economies to brace themselves against the impact of an unprecedented external shock, and to once again generate cash flows.

The financial markets have recovered more quickly than expected, thanks to robust activity. Nevertheless, financing conditions will probably continue to be more difficult than before the crisis.

In the midst of the relatively quick return to buoyant growth seen in many emerging economies, portfolio capital flows have been reactivated, leading to more relaxed financing conditions and creating new concerns with regard to the valuation of asset prices. Cross-border bank financing, however, continues to contract in most regions, as banks with international transactions carry on with their deleveraging processes. This will limit internal credit growth, particularly in those regions which rely most heavily on cross-border bank flows.

Raw material prices rose significantly at the start of the recovery process, despite inventory levels remaining generally high. This was largely due to strong recovery in the emerging Asian markets, the early stages of general recovery in other emerging and developing markets and improved global economic conditions.

Raw material prices are expected to increase slightly due to solid international demand, particularly from emerging economies.

The low use of capacity and the solid grounding of inflation expectations are expected to contain inflation pressure. General inflation levels in advanced economies are set to rise from zero in 2009 to 1.25% in 2010, as the recovery of energy prices will significantly counteract the decrease in labour costs. Forecasts for emerging and developing economies indicate that inflation will rise to 6.25% in 2010, as this rising trend may worsen in certain economies due to a lower unused capacity margin and an increase in capital flows.

The future outlook is still subject to significant risk. On a positive note, the end of the crisis of confidence and a decrease in uncertainty may lead to a greater improvement than forecast with regard to the financial market, with higher-than-expected recovery in cash flows, trade and private demand. On the negative side, however, a key risk is that a premature and disorganised withdrawal of support policies may undermine global growth and economic rebalance.

Another significant risk is that the downturn of the financial systems and housing markets, as well as rising unemployment within advanced economies, may have a more serious impact than forecast on the recovery of household expenditure. Growing concern with regard to the decline in budgets and tax sustainability may destabilise the financial markets and stifle recovery, as the debt-related costs for homes and businesses increase. A further risk is that the increase in raw material prices may halt the recovery of the world's advanced economies.

Governments are therefore faced with the enormous challenge of balancing demand (transferring public sector demand to the private sector and demand within economies with excessive external deficits to those with excessive surpluses), while adjusting the financial sectors and encouraging restructuring within the real sectors.

In terms of monetary policy, many central banks are now in a position to keep interest rates down throughout the coming year, as underlying inflation is forecast to stay low and unemployment will remain high for some time. Credible strategies will also have to be prepared when it comes to withdrawing monetary support policies. These strategies will have to be announced immediately to encourage positive expectations and calm potential fears of inflation or new financial instability.

As recovery is still at a fragile stage, tax policies need to continue supporting economic activity in the short term. Nevertheless, countries with rising tax sustainability concerns will need to start making progress on the preparation and announcement of these credible recovery strategies.

A key issue is the ongoing urgent need to reorganise the financial sectors of the advanced and emerging economies which have been most severely affected. Policies are still required to deal with the problem of devaluated bank assets and their restructuring.

Certain emerging markets will also be faced with the problem of managing increased capital inflows. This is a complicated task and, depending on the country, the most suitable measures may comprise a certain tightening of tax conditions to alleviate pressure on interest rates, as well as appreciation or increased flexibility of exchange rates.

Finally, governments are faced with significant challenges in terms of structural policies. In advanced and emerging economies with external surpluses and excessive internal savings levels, the global rebalance may come about through structural policies to support internal demand and the development of sectors that produce goods for consumption within the country. Economies which rely heavily on growth driven by internal demand, however, will have to focus their resources on those sectors which provide goods to be sold internationally.

Strategic Plan 2007-2010

In its session held on 18 May 2007, the board of directors approved the Strategic Plan for the 2007-2010 period.

As a basic principle, the Plan established that *"for the 2007-2010 period the Banco Cooperativo, head of banking services for rural savings banks, aims to achieve sustained and profitable growth with the basic objectives of rendering quality services to its shareholder savings banks, strengthening its business and focusing its own activity on the wholesale and corporate banking areas ."*

The Plan has ten principles and is based on three pillars:

- Improving service quality
- Reducing costs and increasing business with shareholder savings banks
- Increasing business in the wholesale areas

Evolution of the business in 2009

a) Balance sheet

- Total assets increased by 37.9% to Euros 11,662,886 thousand.

- At 31 December 2009 loans and advances to other debtors stood at Euros 679,519 thousand, up 88.7% compared to 31 December 2008. Excluding repos, growth totalled 2.3%.

- Deposits from other creditors rose 10.4% to Euros 2,317,957 thousand.

- Deposits from credit institutions and central banks fell 22.9% to Euros 7,109,332 thousand.

- Equity rose by 22.1% to Euros 275,832 thousand.

b) Income statement

- The interest margin grew 36.5% to Euros 30,093 thousand.

- The gross margin increased by 8.6% to Euros 48,385 thousand due to the performance of the various components of this margin: the aforementioned interest, net commissions (down 38.3%), gains on financial operations and exchange differences (up 161.6% in 2009) and the share of losses of entities accounted for using the equity method (Euros -13 thousand in 2009 compared to profit of Euros 2,850 thousand in 2008). Other operating income (net) fell by 11.4%.

- Administration and personnel expenses and overheads showed moderate growth of 1.0%, with amortisation and depreciation standing at Euros 1,712 thousand. The sum of provisions and impairment losses on assets grew to Euros 3,746 thousand. Consequently, profit from ordinary activity stood at Euros 20,053 thousand, similar to 2008 (down by just 0.3%).

- Profit attributed to the Group stood at Euros 14,538 thousand, 1.6% lower than in 2008.

Risk management

The primary goal of the Group's risk management is to define the action plans necessary to maximise the Bank's performance by taking on optimum levels of risk and ensuring consistency with established objectives and strategies.

Credit risk

Credit risk is the risk of one party to a contract which fits the definition of a financial instrument ceasing to comply with its obligations, resulting in a financial loss for the other party.

Credit risk therefore represents the risk of loss assumed by the Bank in the event that a customer or any counterparty fails to comply with its contractual payment obligations. This risk is inherent in traditional products of banking entities (loans, credit facilities, financial guarantees extended, etc.), as well as in other types of financial assets (fixed-income securities of the Group, derivatives, etc.).

The credit risk affects financial assets carried at amortised cost and assets recognised at fair value in the consolidated financial statements. The Bank applies the same credit risk control policies and procedures to these financial assets regardless of the recognition criteria used.

The Bank's credit risk control policies and objectives have been approved by the board of directors. The risk committee, together with the assets and liabilities committee, is in charge of implementing the Bank's risk policies that enable compliance with the objectives set by the board. The risk control unit (under the public accounts and risks department and, therefore, independent of the business units in charge of the implementation of policies established by the Entity) is in charge of establishing the control procedures required to continuously monitor the levels of risk assumed by the Entity and the strict compliance with the objectives set by the Bank with respect to credit risks. Together with the internal audit department (under the internal audit committee), the risk control unit is also in charge of monitoring compliance with the Bank's control risk policies, methods and procedures, ensuring that these are sufficient, are implemented effectively and reviewed regularly, providing the information required by higher governing bodies to implement the necessary corrective measures, where applicable.

The control unit permanently controls risk concentration levels, the default rate and the different warning systems established which enable it to regularly monitor the evolution of the credit risk. Any deviations from the forecast performance of any of these parameters are analysed to determine the causes. Once the causes of these deviations are known, they are analysed by the control unit which submits the corresponding reports to the Bank's management bodies so that the necessary corrective measures may be taken, from defining and correcting established control mechanisms which may not have functioned satisfactorily to modifying policies and limits agreed by the Bank. In particular, a more exhaustive analysis will be performed of operations which, for different reasons, have resulted in payment delays or defaults, to determine the effectiveness of the hedges contracted by the entity, in order to take any necessary measures to improve the Bank's acceptance policies and credit risk analysis mechanisms.

Market risk

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

a) Positions derived from trading activity, which includes portfolios held for securing gains on short-term price variations

b) Positions classified as from the balance sheet, namely financial instruments and portfolios which are generally used to manage the overall risk structure, as well as structural fixed-income positions which are accrued in the margin

Some of the basic functions of the risk analysis and control unit include measuring, controlling and monitoring market risks, evaluating exposure and adaptation to the limits assigned, and contrasting, implementing and maintaining tools.

The market risk limit structure is based on the value at risk (VaR) calculation, stop-loss limits, comparative and stress-testing and limits to the size of positions.

Management of this risk is geared towards limiting losses on positions stemming from adverse movements in market prices. Potential losses are estimated using a value at risk model, which is the main control and measuring tool employed in trading operations.

VaR is calculated using the parametric model, with a 99% confidence level for a time period of one day. Value at risk is obtained using historic or Monte Carlo simulation for those portfolios or unusual products with special characteristics for which the covariations model cannot be used.

VaR is calculated daily at central level for the entire treasury and capital market activity, irrespective of the nature of the portfolio.

The objectives of this risk valuation methodology are:

- To establish a benchmark for defining the structure of limits

- To provide the Group with a unique and standard multi-level measure of market risk, and to provide the regulator with a global measure of market risk assumed by the Entity.

In addition to monitoring market risk, the risk control tools are also complemented by warning systems called stop-loss orders. The reason behind establishing warning systems is to limit maximum trading strategy losses to the desired level by automatically closing positions where allowable losses have been exceeded.

The measurement and control of market risk are complemented by contrast tests which involve comparing the theoretical generation of daily profits and losses under the assumption that positions had remained unchanged, i.e. in the absence of daily trading and using the estimates created by the risk model. Back-testing is used to determine whether the number of times losses exceed estimated VaR is consistent with the expected results according to the 99% confidence level applied in the model. The application of this technique shows that risk measurements fall within generally accepted validation standards.

To further supplement market risk measurement and control, stress estimates are performed in order to quantify the maximum decline in value of a portfolio when faced with extreme risk factor movements. Stress-testing analysis includes the application of historical financial market crisis scenarios as well as extreme values of market variables.

The market risk limit structure is completed with specific limits to the size of positions on certain operations individually approved, analysed and monitored by the Bank’s assets and liabilities committee.

Interest rate risk

Interest rate risk on the overall balance sheet is measured using the gap calculation and the sensitivity of the financial margin and net worth to interest rate fluctuations.

- The interest rate gap is based on analyses of variations in the maturities or repricing profile of different bundles of assets and liabilities over various time intervals.

- Financial margin sensitivity is estimated by projecting the financial margin to twelve months using the expected interest rate scenario and certain behaviour of the balance sheet bundles.

- Net worth sensitivity provides an overview of the long-term interest rate risk assumed by the Entity. Through the concept of duration, the effect of interest rate fluctuations on the economic value of the Entity can be approximated.

To manage interest rate risk, the assets and liabilities committee analyses the overall time difference between maturity and repricing of assets and liabilities. In the case of liabilities with no contractual maturity date, assumptions based on historical stability of these balances are used.

Each month the financial margin over a 12-month period is simulated under certain scenarios, such as growth of each balance sheet item, renewal assumptions for applied spreads, repricing periods for each type of operations, as well as different interest rate scenarios.

The interest rate risk is also analysed considering the economic value, measured as the effect of changes in the interest rate on the present value of equity, discounting expected future flows.

Counterparty risk

Control of counterparty risk is carried out in real time using an integrated system which allows the line of credit available with any counterparty, in any product and period and for each market area, to be known at any given time.

Lines of credit are approved following established authorisation procedures, as are any instances when credit limits are surpassed.

Counterparty risk is measured using the present value of each position plus the estimated market value increase to maturity. Future variations in market prices are based on a hypothetical worst-case scenario considering the term of the operation and the risk factors to which the operation is exposed.

With respect to counterparty risk of derivative positions, credit risk is offset on positions where the counterparty is a financial entity which is party to the financial operations framework agreement, which allows parties to offset positions with negative market values against positions with positive market values in the same entity. At 31 December 2009 compensation agreements have been carried out with 85 entities (89 in 2008).

The risk analysis unit continuously monitors the degree of credit risk concentration by country, sector or counterparty. In this regard, the Bank's assets and liabilities committee reviews the appropriate exposure limits in order to adequately manage the degree of credit risk concentration.

Liquidity risk

The assets and liabilities committee monitors the maturity of its assets and liabilities and, due to its nature, maintains high levels of liquidity.

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

The liquidity gap provides information on cash flow movements in order to detect timing differences between collections and payments. A number of behavioural criteria and assumptions have been established for unknown contractual maturities.

Two parameters have also been set for controlling liquidity risk:

- Short-term liquidity risk ratio. Control of short-term liquidity risk is carried out over thirty-day periods and guarantees that there is no excessive leverage in the very short-term.

- Liquidity ratio. Measures the relationship between assets and liabilities and total callable liabilities.

Treasury shares

No transactions were carried out using treasury shares in 2009.

Research and development

The Group has continued developing technological applications to save costs, increase the quality of the services rendered to our customers and to prepare ourselves to face new requirements to update technological and functional areas. The main work carried out has allowed the Group to continue with its policy to make the most of resources, leading to improved efficiency and the streamlining of processes.

Forecast

In 2010, the Bank will design and launch new areas of business, thus allowing it to expand its presence and that of shareholder rural savings banks in the markets, reinforce the control of different activities and improve the quality of services rendered. The Group will continue with its 2007-2010 Strategic Plan, one of the main objectives of which is to increase the quality of the services rendered to the shareholder savings banks.

Information required by article 116 bis of the Securities Market Law

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

At 31 December 2009 the share capital of the Bank consists of 1,514,107 registered shares of Euros 60.10 par value each, subscribed and fully paid up and with the same rights and obligations. There is no minimum number of shares required to attend and vote at the annual general meetings. The shareholder structure comprises 72 Spanish credit cooperatives and a German bank.

b) Restrictions on the transfer of securities;

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

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

c) Direct and indirect significant capital investments;

Details of the entity’s most significant shareholders or interests at 2009 year end:

Tax ID number	Shareholder name	% ownership
F-46028064	Caja Rural del Mediterráneo, Ruralcaja	12.73
-	DZ Bank	12.02
F-31021611	Caja Rural de Navarra	8.97
F-91119065	Caja Rural del Sur	6.35
F-18009274	Caja Rural de Granada	6.14

d) Details of restrictions to voting rights

There are no restrictions to voting rights.

e) Shareholder agreements

There are no shareholder agreements.

f) Regulations concerning the appointment and replacement of board members and the modification of company articles of association.

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

When electing and re-electing board members, the shareholders who voluntarily come together in accordance with article 137 of the Companies Act, and which represent share capital equal to or more than the result obtained from dividing total share capital by the number of members of the board of directors, will have the right to appoint members who (excluding whole fractions) arise from the corresponding proportion. Shares grouped together in this manner will have no impact on the votes of the remaining board members.

Shareholders at their ordinary or extraordinary general meeting may validly agree to any modification to the articles of association, provided that at the first session shareholders holding at least 50% of subscribed share capital with voting rights are present or represented. At the second session only 25% of the aforementioned capital needs to be present.

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

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

The board members have no powers in this regard.

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

No significant agreements exist.

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

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

<u>Employees:</u> In the case of employees linked to the Bank through a common working relationship (practically all entity personnel), in general terms the employment contracts linking these employees to the entity do not contain any indemnity clause for termination of the working relationship. Consequently, employees will have the right to the applicable indemnity pursuant to employment legislation, regardless of the cause for termination of the contract.

There are certain cases of employees with a common labour relationship whose employment contract recognises the right to indemnity in the event of termination of employment for certain specific causes, generally relating to improper dismissal. When establishing the indemnity the employee's gross annual fixed salary at the date of termination of the contract is normally used.

<u>Senior management</u>: In the case of personnel linked to the Bank via a special senior management employment relationship (special senior management contracts governed by Royal Decree 1382/1995), the right to indemnity upon termination of employment for certain specific reasons is recognised. This indemnity is set for senior management based on professional circumstances and the relevance and responsibility of the position held within the Entity.

APPENDIX II

OTHER ENTITIES THAT ISSUE SECURITIES WHICH ARE PERMITTED TO TRADE ON OFFICIAL SECONDARY MARKETS, OTHER THAN SAVINGS BANKS

ISSUER IDENTIFICATION DATA	YEAR	**2009**

Corporate tax number: **A–79.496.055**

Company:

BANCO COOPERATIVO ESPAÑOL, S.A.

Address:

C/ Virgen de los Peligros 4
28013 Madrid

This corporate governance report has been prepared in accordance with article 116 of Securities Market Law 24 of 28 July 1988, as well as Order ECO/3772 of 26 December 2003 and National Securities Market Commission Circular 1 of 17 March 2004. The contents and structure of this document fully comply with the model established in Appendix II of the aforementioned Circular 1/2004.

A OWNERSHIP STRUCTURE

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

Tax ID number	Name	% of share capital held
F-46028064	Caja Rural del Mediterráneo, Ruralcaja	12.73
	DZ Bank	12.02
F-31021611	Caja Rural de Navarra	8.97
F-91119065	Caja Rural del Sur	6.35
F-18009274	Caja Rural de Granada	6.14

A.2. Indicate, where applicable, relationships of a family, commercial, contractual or business nature between the significant shareholders (if known by the entity), unless they are irrelevant or derived from ordinary business activity:

Tax ID number	Name	Type of relationship	Brief description

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

Tax ID number	Name	Type of relationship	Brief description

B ADMINISTRATIVE STRUCTURE OF THE ENTITY

B.1. <u>Board of directors or governing body</u>

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

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

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

MEMBERS OF THE BOARD OF DIRECTORS/GOVERNING BODY

At 31 December 2009 there are 20 appointed board members.

Member tax ID number	Name of the board/governing body member		Date of latest appointment	Position
29.255.590-G	Mr. José Luis García Palacios		27/05/2009	Ordinary member
11.221.708-P	Mr. Román Suárez Blanco		27/05/2009	Ordinary member
X-9.139.954-F	Mr. Wolfgang Kirsch		27/05/2009	Proprietary member
03.714.588-L	Mr. José Luis García Lomas		27/05/2009	Ordinary member
72.868.002-T	Mr. Carlos Martínez Izquierdo		27/05/2009	Ordinary member
04.492.942-F	Mr. Carlos de la Sierra Torrijos		27/05/2009	Ordinary member
21870038-M	Mr. Nicanor Bascuñana Sánchez		27/05/2009	Ordinary member
17.418.568-R	Mr. Bruno Catalán Sebastián		27/05/2009	Ordinary member
16.221.514-M	Mr. Ignacio Arrieta del Valle		27/05/2009	Ordinary member
03.698.055-T	Mr. Andrés Gómez Mora		27/05/2009	Proprietary member
70.711.411-G	Mr. Luis Díaz Zarco		27/05/2009	Proprietary member
	Mr. Luis Esteban Chalmovsky		27/05/2009	Proprietary member
9.167.990 Y	Mr. Fernando Palacios González		27/05/2009	Proprietary member
18.892.466-J	Mr. Antonio Abelló Dalmases		27/05/2009	Proprietary member
73.067.461-A	Mr. José Antonio Alayeto Aguarón		27/05/2009	Ordinary member
20.702.997-F	Mr. Eduardo Ferrer Perales		27/05/2009	Ordinary member
16.761.254-G	Mr. Pedro García Romera		27/05/2009	Ordinary member
24.216.235-H	Mr. Dimas Rodríguez Rute		27/05/2009	Ordinary member
21.377.445-A	Mr. Juan Antonio Gisbert García		27/05/2009	Ordinary member
11.716.359-K	Mr. Cipriano García Rodríguez		27/05/2009	Ordinary member

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

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

B.1.4. Complete the following table detailing aggregate remuneration accrued by the members of the board of directors/governing body during the year:

Remuneration	**Thousands of Euros**	
	Individual	**Group**
Fixed remuneration	-	
Variable remuneration	-	
Allowances	187	
Other remuneration	-	
TOTAL	187	

B.1.5. Identify any members of senior management who are not executive members of the board of directors or governing body, including total remuneration accrued during the year:

For the purposes of preparing this report, senior management is deemed to comprise the 11 members of the Bank's steering committee, considered to be key management personnel within the Group.

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

Total senior management remuneration (thousands of Euros)	2,005

B.1.6. Indicate whether the articles of association or regulations governing the board establish a limit to the terms of service for members of the board of directors or governing body:

YES ☐ NO X

Maximum length of term (in years)	

B.1.7. Indicate whether the individual or consolidated annual accounts presented for approval by the board of directors or governing body have been previously certified.

YES ☐ NO X

Indicate, where applicable, the person/people responsible for certifying the entity's individual and consolidated annual accounts for formulation by the board of directors or governing body:

Tax ID number	Name	Position

B.1.8. Explain, where applicable, the mechanisms established by the board of directors or governing body to ensure that the individual and consolidated annual accounts are presented to the shareholders at their general meeting (or the equivalent body) with an unqualified auditors' opinion.

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

The established mechanisms in this regard are:

1. The Bank's internal services will prepare the annual accounts in a clear manner, presenting fairly the company's equity, financial position and results, correctly applying all the accounting principles applicable to banks to the financial and accounting information therein.
2. The code of good governance of the board of directors stipulates that an audit committee must be created, with the following responsibilities, inter alia:
    - To propose the appointment of the auditor, the contracting conditions, the scope of the professional mandate and, where applicable, the revocation or non-revocation thereof
    - To review the Bank's accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles;
    - To serve as a communication channel between the board of directors and the auditors, evaluating the results of each audit and the responses from the management team to the recommendations therein, and mediating in the event of discrepancies with regard to the accounting principles and criteria applied in the preparation of the financial statements.
3. To supervise compliance with the audit contract, ensuring that the opinion on the annual accounts and the key contents of the audit report are prepared in a clear and precise manner.

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

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

B.1.9. Is the secretary of the board of directors or governing body also a member of the board?

YES ☐ NO X

B.1.10. Indicate, if any, the mechanisms established to preserve the independence of the auditor, financial analysts, investment banks and ratings agencies.

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

The board of directors' code of good governance establishes that the board and the audit committee will supervise situations which may present independence risks concerning external auditors. The board of directors will refrain from contracting audit firms which charge total fees exceeding 5% of total income for the prior year.

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

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

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

B.2.1. Please list the governing bodies

Name of the body	No. of members	Functions
Audit Committee	4	See point B.2.3.

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

EXECUTIVE OR DELEGATE COMMITTEE

Tax ID	Name	Position

AUDIT COMMITTEE

Tax ID	Name	Position
29.255.590-G	Mr. José Luis García Palacios	Chairman
11.221.708-P	Mr. Román Suárez Blanco	Member
	Mr. Luis Esteban Chalmovsky	Member
21.377.445-A	Mr. Juan Antonio Gisbert García	Member

APPOINTMENTS AND REMUNERATION COMMITTEE

Tax ID	Name	Position

STRATEGY AND INVESTMENT COMMITTEE

Tax ID	Name	Position

______________ COMMITTEE

Tax ID	Name	Position

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

The audit committee is an internal body created within the Bank’s board of directors. The committee is used for consultation and information purposes and has no executive functions, with the information, advisory and proposal-related powers falling within its areas of activity.

The committee’s scope of work comprises the following areas:

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

Notwithstanding any other capacities assigned by the board of directors, the audit committee has the following basic responsibilities>

1) To approve the orientation, plans and proposals relating to the internal audit department, ensuring that activity is mainly focused on risk that is relevant for the Bank.

2) To evaluate the compliance level of internal audit plans and the implementation of their recommendations, supervising the appointment and replacement of the person in charge of these plans.

3) To ensure that internal audit has the sufficient resources and professional qualifications required to successfully operate.

4) To supervise that relevant risks of any nature that affect the achievement of the Bank’s corporate objectives are reasonably identified, measured and controlled.

5) To ensure compliance with legislation, internal regulations, the code of conduct and all other provisions that regulate the Bank’s activity.

6) To maintain ethical standards within the organisation, investigate any incidents of irregular or unusual conduct and conflicts of interest among employees, and initiate the relevant investigations in the event of third-party claims against the Entity.

7) To examine projects related to codes of conduct and the modifications thereto, and to issue an opinion prior to the approval of proposals by the Bank’s social bodies.

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

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

10) To review the contents of audit reports and serve as a channel for communication between the board of directors and the Bank’s auditors.

11) To evaluate the results of each audit and supervise the responses from the management team to the recommendations contained therein.

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

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

14) To evaluate any management proposals concerning changes to accounting practices and policies.

B.2.4. Indicate the number of audit committee meetings held during the year>

Number of meetings	3

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

YES ☐ NO ☐

C RELATED TRANSACTIONS

C.1. Provide details of relevant transactions that involve a transfer of resources or obligations between the entity or Group entities and the entity's most significant shareholders.

Tax ID number of the most significant shareholder	Name of the most significant shareholder	Tax ID number of the entity or group entity	Name of the entity or group	Nature of the relationship	Type of transaction	Amount (thousands of Euros)

C.2. Provide details of relevant transactions that involve a transfer of resources or obligations between the entity or Group entities and the directors, management or members of the governing body of the entity:

Tax ID number of the most significant shareholder	Name of the most significant shareholder	Tax ID number of the entity or group entity	Name of the entity or group	Nature of the relationship	Type of transaction	Amount (thousands of Euros)

C.3. Provide details of relevant transactions with other entities within the group, provided that these are not eliminated when preparing the consolidated financial statements and do not form part of the entity's normal business activity:

Tax ID number	Name of group entity	Brief description of the transaction	Amount (thousands of Euros)

C.4. Identify, where applicable, any conflicts of interest affecting members of the entity's board of directors or governing body, pursuant to article 127.3 of the Spanish Companies Act.

No board member has reported any conflict of interest.

C.5. Provide details of the mechanisms established to detect, determine and resolve possible conflicts of interest between the entity or the group and the members of the board of directors or governing body or the entity's management.

Article 26 of the board of directors' code of good governance states:

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

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

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

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

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

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

D RISK CONTROL SYSTEMS

D.1. General description of the risk policy of the company and/or group, detailing and evaluating the risks covered by the system along with support for the adequacy of the systems with regard to each type of risk.

The activities carried out by Banco Cooperativo involve the assumption of certain risks, which should be controlled and managed so that the Bank constantly has the support of control systems which are adequate for the level of risk assumed.

A set of basic principles has been defined to guide the management and control of the risks assumed by the Bank as a result of its activity, including but not limited to the following:

- Active participation in and supervision of the Company's governing bodies. The board of directors actively participates in the approval of general business strategies, and defines the policies for assuming and managing risk, ensuring that the appropriate risk policies, controls and monitoring systems are in place and that all lines of authority in this regard are clearly defined.

- General internal control environment: This is manifested through a risk management culture which, driven by the board of directors, is diffused through all levels of the organisation, clearly defining the objectives that avoid taking risks or adopting unsuitable positions due to a lack of suitable organisation, procedures or control systems.

- Selection of adequate risk measurement methodology: The Bank has adequate risk-management methodologies to enable the various risk factors to which it is exposed to be captured.

- Evaluation, analysis and monitoring of the risks assumed: The identification, quantification, control and ongoing monitoring of risks allows a relationship to be established between the profitability obtained through the transactions carried out and the risks assumed.

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

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

D.2. Indicate the control systems implemented to evaluate, mitigate or reduce the main risks faced by the company and its group.

Credit risk

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

- Establishment of strategic risk policies, evaluation of performance and introduction of any corrective measures deemed necessary in each case; and
- Sanctions relating to any approaches not included in the powers of the remaining decision-making bodies.

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

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

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

Market risk

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

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

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

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

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

- Positions derived from trading activity, which includes portfolios held for securing gains on short-term price variations

- Positions classified as from the balance sheet, namely financial instruments and portfolios which are generally used to manage the overall risk structure, as well as structural fixed-income positions which are accrued in the margin

Some of the basic functions of the market risk analysis and control unit include measuring, controlling and monitoring market risks, evaluating exposure and the adaptation of risks to the limits assigned, and contrasting, implementing and maintaining tools.
The market risk limit structure is based on the value at risk (VaR) calculation, stop-loss limits, comparative and stress-testing and limits to the size of positions.

Management of this risk is geared towards limiting losses on positions stemming from adverse movements in market prices. Potential losses are estimated using a value at risk model, which is the main control and measuring tool employed in trading operations.

VaR is calculated using the parametric model, with a 99% confidence level for a time period of one day. Value at risk is obtained using historical or Monte Carlo simulation for those portfolios or unusual products with special characteristics for which the covariations model cannot be used.

VaR is calculated daily at central level for the entire treasury and capital market activity, irrespective of the nature of the portfolio.
The objectives of this risk valuation methodology are:

- To establish a benchmark for defining the structure of limits
- To provide the Group with a unique and standard multi-level measure of market risk, and to provide the regulator with a global measure of market risk assumed by the Entity.

In addition to monitoring market risk, the risk control tools are also complemented by warning systems called stop-loss orders. The reason behind establishing warning systems is to limit maximum trading strategy losses to the desired level by automatically closing positions where allowable losses have been exceeded.
The measurement and control of market risk are complemented by contrast tests which involve comparing the theoretical generation of daily profits and losses under the assumption that positions had remained unchanged, i.e., in the absence of daily trading and using the estimates created by the risk model. Back-testing is used to determine whether the number of times losses exceed estimated VaR is consistent with the expected results according to the 99% confidence level applied in the model. The application of this technique shows that risk measurements fall within generally accepted validation standards.
To further supplement market risk measurement and control, stress estimates are performed in order to quantify the maximum decline in value of a portfolio when faced with extreme risk factor movements. Stress-testing analysis includes the application of historical financial market crisis scenarios as well as extreme values of market variables.
The market risk limit structure is completed with specific limits to the size of positions on certain operations individually approved, analysed and monitored by the Assets and Liabilities Committee.

Interest rate risk

Interest rate risk on the overall balance sheet is measured using the gap calculation and the sensitivity of the financial margin and net worth to interest rate fluctuations.

- The interest rate gap is based on analyses of variations in the maturities or repricing profile of different bundles of assets and liabilities over various time intervals.
- Financial margin sensitivity is estimated by projecting the financial margin to twelve months using the expected interest rate scenario and certain behaviour of the balance sheet bundles.

- Net worth sensitivity provides an overview of the long-term interest rate risk assumed by the Entity. Through the concept of duration, the effect of interest rate fluctuations on the economic value of the Entity can be approximated.

To manage interest rate risk, the Assets and Liabilities Committee analyses the overall time difference between maturity and repricing of assets and liabilities. In the case of liabilities with no contractual maturity date, assumptions based on historical stability of these balances are used.

Each month the financial margin over a 12-month period is simulated under certain scenarios, such as growth of each balance sheet item, renewal assumptions for applied spreads, repricing periods for each type of operations, as well as different interest rate scenarios.

The interest rate risk is also analysed considering the economic value, measured as the effect of changes in the interest rate on the present value of equity, discounting expected future flows.

Counterparty risk

Control of counterparty risk is carried out in real time using an integrated system which allows the line of credit available with any counterparty, in any product and period and for each market area, to be known at any given time.

Lines of credit are approved following established authorisation procedures, as are any instances when credit limits are surpassed.

Counterparty risk is measured using the present value of each position plus the estimated market value increase to maturity. Future variations in market prices are based on a hypothetical worst-case scenario considering the term of the operation and the risk factors to which the operation is exposed.

The risk analysis unit continuously monitors the degree of credit risk concentration by country, sector or counterparty. In this regard, the assets and liabilities committee reviews the appropriate exposure limits in order to adequately manage the degree of credit risk concentration.

Liquidity risk

The assets and liabilities committee monitors the maturity of its assets and liabilities and, due to its nature, maintains high levels of liquidity.

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

The liquidity gap provides information on cash flow movements in order to detect timing differences between collections and payments. A series of behavioural criteria and assumptions have been established for unknown contractual maturities.

Two parameters have also been set for controlling liquidity risk:

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

Operational risk

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

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

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

Operational risk measurement procedures and systems

Work is currently being carried out on the implementation of the following qualitative methodologies proposed by Basel:

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

D.3. If any of the risks affecting the company and its group have materialised, identify the circumstances involved and if the established control systems have functioned.

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

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

D.4. Indicate whether there is a committee or other governing body responsible for establishing and supervising these control tools, and detail their functions.

As mentioned in section D.1, the board of directors and risk committee participate actively in the approval of business strategies and are responsible for defining risk assumption policies, ensuring that the appropriate policies, controls and systems exist.

The main function of the Audit Committee is to support the Board of Directors in its duties of monitoring internal controls and the independence of the external auditor, through regular review of the process for preparing financial information.

GENERAL SHAREHOLDERS' MEETING OR EQUIVALENT BODY

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

Article 15 of the articles of association states:

"Both the ordinary and extraordinary General Shareholders' Meeting will be validly constituted at the first call when the shareholders present or represented hold at least fifty percent of subscribed share capital with voting rights. At the second call the meeting will be valid when the shareholders present or represented hold at least fifteen percent of share capital with voting rights.

In order for the Shareholders at their ordinary or extraordinary General Meeting to validly agree the issue of bonds, a share capital increase/decrease, the transformation, merger, spin-off or wind-up of the company or, in general, any modification to the articles of association, the shareholders present or represented at the first call must hold at least fifty percent of subscribed capital with voting rights. At the second call only twenty-five percent of the aforementioned capital is required.

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

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

Article 17 of the articles of association states:

" The position of Chairman and Secretary of the Annual General Meetings will be held by the individuals who occupy these positions within the Board of Directors. In the event of absence, the chairman and secretary will be elected by those in attendance at the meeting.

The Chairman will lead the deliberations, passing the floor (in order) to all those shareholders who have requested so in writing, followed by those who present verbal requests.

Each of the points on the agenda will be subject to a separate vote.

Each share confers its holder the right to one vote.

At the General Shareholders' Meeting agreements will be adopted by a majority vote from the shareholders present or represented. Nevertheless, agreements concerning the issue of bonds, share capital increases or decreases, the transformation, merger, spin-off or wind-up of the Company, and in general any modification to the articles of association, will require the quorum stipulated in article 15, paragraph 2, of the aforementioned articles of association. Voting rights may not be exercised by shareholders who default on payment of unpaid shareholder contributions.“ “

E.3. Provide details of the rights of shareholders with regard to the general meeting or equivalent body

- Right to attend and vote in General Meetings (article 7 of the articles of association).
- Each share holds one voting right (article 17 of the articles of association).
- Should a group of shareholders representing at least one-twentieth of share capital with voting rights request that the Board of Directors convene an Extraordinary General Meeting, submitting the issues to be dealt with, the meeting must be convened pursuant to the Spanish Companies Act (article 14 of the articles of association).
- All shareholders may attend the General Meetings in person or through a designated representative (whether a shareholder or not). Representation must be submitted separately in writing for each General Meeting. In all cases the terms of article 107 of the Spanish Companies act (article 16 of the articles of association) will apply.

E.4. Briefly outline the agreements adopted by the shareholders at their annual general meetings or equivalent body during the year referred to in this report, and the percentage of votes with which these agreements were adopted.

The only Shareholders’ Meeting held in 2009 took place on 27 May 2009. This meeting was ordinary and extraordinary in nature and 100% of the Bank’s share capital was represented by the 63 shareholders present in person (94.32% of share capital) and ten represented by proxies (5.68% of share capital). The following agreements were discussed and adopted:

1 The individual and consolidated **Annual Accounts for 2009** were unanimously approved as was the management of the board of directors for that year and the distribution of profit for the year as follows: Euros 1,120,396.73 to the legal reserve, Euros 4,083,570.55 to the voluntary reserve, and the distribution of a dividend of Euros 6,000,000.

2 Appointment of Board Members

Members were appointed to fill all board positions (20). 14 were re-elected:

Mr José Luis García Palacios
Mr Román Suárez Blanco
Dr Luis Esteban Chalmovsky
Mr José Luis García-Lomas Hernández
Mr Nicanor Bascuñana Sánchez
Mr Carlos Martínez Izquierdo
Mr Carlos de la Sierra Torrijos
Mr Andrés Gómez Mora
Mr Ignacio Arrieta del Valle
Mr Luis Díaz Zarco
Mr José Antonio Alayeto Aguarón
Mr Wolfgang Kirsch
Mr Bruno Catalán Sebastián
Mr Dimas Rodríguez Rute

The new appointments were:

Mr Eduardo Ferrer Perales
Mr Pedro García Romera
Mr Juan Antonio Gisbert García
Mr Fernando Palacios González
Mr Cipriano García Rodríguez
Mr Antonio Abelló Dalmases

3 Renewal of Auditors

It was unanimously agreed that KPMG AUDITORES, S.L. would continue to be the auditor of Banco Cooperativo Español, S.A. and its subsidiaries, for a period of one year from 1 January 2009 until 31 December 2009.

4 Requests and questions

There were no requests or questions.

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

The representatives for approving the Minutes were unanimously appointed.

E.5. Indicate the address and access to corporate governance content on your website

The Bank’s website is:

www.bancocooperativo.es or www.ruralvia.com

On the home page go to “**Institutional information**”.
Enter the section entitled “**The Bank**”.
Inside this section you will find the specific section called “**Regulatory Compliance**”, where the 2008 “**Corporate Governance Report**” is published.

E.6. Indicate if meetings have been held with the various syndicate (if applicable) holders of the securities issued by the entity, the subject of the meetings held in the year referred to in this report and the main agreements adopted.

There are no syndicate holders of securities issued by the Entity (ordinary fixed-rate treasury bonds under State guarantee).

F LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the entity's level of compliance with existing corporate governance recommendations or, if applicable, the failure to comply with such recommendations.

Should none of these recommendations be complied with, explain the recommendations, regulations, practices or criteria that apply to the entity.

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

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

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

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

The Board of Directors aims to ensure that these conduct and good governance standards are extended and applied to all the Bank’s professional activities and practices, at all functional levels. The conduct standards stipulated in this Code for the Board members are applicable (if compatible) to the Bank's directors. The different sections of the Code of Good Governance regulate the following issues:

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

Principles of good governance

1. **Strict separation between administration and management**

- The core mission of the Board of Directors comprises the general functions of representation, administration, management and control of the company, as well as responsibility for reviewing and focusing corporate strategy, the most significant action plans, risk policies, annual budgets and plans, establishing objectives, monitoring implementation and compliance therewith within the corporate environment, and delegating the Company’s ordinary management to its executive bodies and the management team.

2. **Composition and appointment of board members**

- The board of directors must have a sufficient number of members to ensure it can operate, and its composition must consider the share capital structure, attempting to include the various sensitivities of the shareholders and ensuring that the candidates proposed are individuals with recognised solvency, competence and experience. In 2005 the number of board members was increased to 20.

3. **Board commissions.**

- To strengthen and increase the efficiency of the Board's functions, specialist Commissions may be created to diversify tasks and ensure that, for relevant matters which do not need to be directly taken to the Board, all proposals and agreements initially pass through a specialist body which can filter and report on its decisions, thereby strengthening the objectivity of and reflection on Group agreements.
- The only Commission that has been incorporated in this regard is the Audit Committee, created in April 2002.

4. **Frequency of board meetings.**

- The Board of Directors should hold an ordinary session as often as required to closely follow the actions of the management team and adopt all related decisions. The board met on a total of 12 occasions in 2009.

Functions inherent to the position of board member

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

1. **Diligence duty and the authority to report and examine**

- Board members are obliged to attend the meetings of corporate bodies and the Board's Commissions of which they form part, participating in the deliberations, discussions and debates that take place.
- The Board members must have sufficient information to form an opinion on the issues relating to the Bank's corporate bodies, and may suggest to the Board of Directors that external experts are called upon to assist in matters submitted for consideration due to their complexity or significance, as deemed necessary.

2. **Confidentiality obligations**

- Board members will ensure that the deliberations of the Board of Directors and Commissions to which they belong remain confidential, as well as any other information to which they have had access when carrying out their duties, which will be exclusively used for this purpose and protected with due diligence. This confidentiality obligation will remain in force once the individuals concerned are no longer members of the board.

3. **Ethical duties and standards for conduct**

- In all their actions the Board members must behave in an ethical manner with regard to the regulatory requirements applicable to all those who hold administration responsibilities within mercantile companies, particularly financial entities, constantly basing their actions on professional, efficient and responsible principles.

4. **Obligations relating to non-competition and abstention and information in cases of conflicts of interest**

- Board members must abstain from attending and intervening in cases which may give rise to a conflict of interest with the Company, and must make themselves absent from any deliberations by the corporate bodies of which they form part concerning matters in which they may have a direct or indirect interest. Board members must also refrain from carrying out personal, professional or commercial transactions with the Company or Group companies other than normal banking operations, unless these are submitted to a contracting procedure to ensure transparency, involving competing offers and at market prices.

- Board members must not hold a direct or indirect interest in businesses or companies in which the Bank or Group companies hold an interest, unless such interest was acquired prior to incorporation into the Board of Directors or before the Group acquired its interest, or when the companies in question are listed on the national or international stock exchanges, or when otherwise authorised by the Board of Directors.

5. Obligation to refrain from using corporate assets or take advantage of business opportunities

- Board members must not take advantage of their position within the Company to obtain advantage or indirectly or directly take advantage of business opportunities of which they have gained knowledge due to their role as members of the Bank's Board of Directors.

6. **Incompatibilities**

- When carrying out their role, Board members will be subject to general standards on incompatibility, particularly those applicable to senior management within the banking industry.

G OTHER INFORMATION OF INTEREST

If there are any principles or aspect relating to the good governance practices applied by your entity that have not been included in this report, please provide details below.

None.

In this section you may include any other information, clarification or detail related to prior sections of the report, provided that they are relevant and do not repeat information already contained herein.

Please specifically indicate whether the entity is subject to corporate governance legislation other than that prevailing in Spain. If so, include all information that the entity is obliged to supply, other than that required by this report.

Banco Cooperativo Español, S.A. is not subject to corporate governance legislation other than that prevailing in Spain.

This annual corporate governance report was unanimously approved by the Entity's board of directors on 27 January 2010.

APROBACION POR EL CONSEJO DE ADMINISTRACIÓN DE LAS CUENTAS ANUALES CONSOLIDADAS DEL EJERCICIO 2009 DEL GRUPO BANCO COOPERATIVO ESPAÑOL, S.A.

Los miembros del Consejo de Administración del Banco Cooperativo Español, S.A., cuyos nombre se hacen constar más abajo, suscriben y refrendan con su firma estas Cuentas Anuales consolidadas, formuladas en la sesión del Consejo de Administración que se celebra en Madrid el 24 de febrero de 2010, de conformidad con lo dispuesto en el artículo 171 del Texto Refundido de la Ley de Sociedades Anónimas, y que constan de balance de situación consolidado, cuenta de pérdidas y ganancias consolidada, estado de ingresos y gastos reconocidos consolidado, estado total de cambios en patrimonio neto consolidado, estado de flujos de efectivo consolidado, memoria de 36 hojas (páginas 7 a 86) y tres anexos (páginas 87 a 95), así como un informe de gestión consolidado de 6 hojas (páginas 96 a 107), con un anexo que incorpora el Informe de Gobierno Corporativo de 10 hojas (páginas 108 a 128) correspondientes al ejercicio cerrado a 31 de diciembre de 2009 del Grupo Consolidado Banco Cooperativo Español, S.A.

Todas las hojas son visadas por el Sr. Secretario y firmadas en esta última por todos los Sres. Consejeros.

Madrid, a 24 de febrero de 2010

D. José Luis García Palacios
- Presidente -

D. Román Suárez Blanco
-Vicepresidente -

D. Antonio Abelló Dalmases
- Consejero -

D. José Antonio Alayeto Aguarón
- Consejero -

D. Ignacio Arrieta del Valle
-Consejero -

D. Nicanor Bascuñana Sánchez
-Consejero -

D. Bruno Catalán Sebastián
- Consejero -

Dr. Luis Esteban Chalmovsky
- Consejero -

D. Carlos de la Sierra Torrijos
- Consejero -

D. Luis Díaz Zarco
- Consejero -

D. Eduardo Ferrer Perales
- Consejero -

D. Cipriano García Rodríguez
- Consejero -

D. Pedro García Romera
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D. Andrés Gómez Mora
- Consejero -

D. Wolfgang Kirsch
- Consejero -

D. Carlos Martínez Izquierdo
- Consejero -

D. Fernando Palacios González
- Consejero -

D. Dimas Rodríguez Rute
- Consejero -