2015

ANNUAL REPORT

FUTURE INNOVATION SOUNDNESS **TRANSPARENCY MEMBERS**



Caja de Ingenieros



O1 LETTER FROM THE CHAIRMAN



Dear member,

The Caja de Ingenieros Group, true to its cooperative credit banking model, has not only resisted in adverse circumstances like the present ones, but has also reached a significant volume of financial resources and members. Our model, which is based on prudence and long-term relationships with ethics, commitment and trust, is an established, safe and successful one.

Our results have continued to grow and have allowed us to diversify from an organic and sustained growth of our activity areas, while strengthening our benchmark position within national cooperative banking.

2015 has been a year in which our members have compensated us with the best distinction, as we obtained the Highest Net Promoter Score within the financial industry (54.1% vs -8.1%), an indicator we are extremely proud of.

We have also successfully completed the 2012-2015 Strategic Plan, which we started when the situation of Spain's economy was imbued with high tension and recession. And yet, at Caja de Ingenieros we have been able to more than achieve the results we set out without giving up on our cooperative banking model.

We have closed the year 2015 with record results and are already working on the new 2016-2019 Strategic Plan, whose objectives will basically remain grounded on two pillars: consolidating Caja de Ingenieros as a financial benchmark group and remain our members' first banking choice.

Our Bank currently features more than 140,000 members we attend to via our 25 branches and our digital banking services. We are transforming the organisation and adapting to the needs of society without losing the valuesand essence of our corporate culture.

However, although we have already walked an important part of the path, we must be careful not to forget that we are a bank based on a responsible and sustainable model, where profits allow us, in addition to remunerating the members' contributions and strengthening the Bank, to also return to members and society by means of the Education and Promotion Fund and the Caja de Ingenieros Foundation. Let us keep working on the most important premise that has marked our Bank's philosophy since its inception:

"Members are our raison d'être."

JOSÉ ORIOL SALA ARLANDIS Chairman "WE HAVE CLOSED THE
YEAR 2015 WITH RECORD
RESULTS AND ARE ALREADY
WORKING ON THE NEW
2016-2019 STRATEGIC
PLAN, WHOSE OBJECTIVES
WILL BASICALLY REMAIN
GROUNDED ON TWO
PILLARS: CONSOLIDATING
CAJA DE INGENIEROS AS
A FINANCIAL BENCHMARK
GROUP AND REMAIN OUR
MEMBERS' FIRST BANKING
CHOICE."

LETTER FROM THE GENERAL MANAGER



Dear members,

We live in an increasingly demanding economic and financial time for the financial industry, which we were able to confirm in the previous year 2015. A year which was undoubtedly marked, among other factors, by the low level of interest rates and by what this has meant for the evolution of economy and financial market development, both with their pros and cons.

In this environment of extraordinarily low interest rates, economy in general as well as businesses and families in particular have benefited from greater access to credit under better conditions, which, combined with other factors, such as oil prices and employment recovery, albeit slow and still in an unequal fashion, has boosted disposable income and, therefore, domestic consumption.

Moreover, and as a consequence of the general financial conditions, a significant narrowing of margins has been noted in the financial system, thus forcing many banks to review their business plans and models. Along with this, the implementation of the new architecture for the regulation and supervision of the industry on a European level has led to new requirements not only in terms of capital, but also of liquidity and corporate governance. From the perspective of the Caja de Ingenieros Group, beyond the material will to formally fulfill all these requirements, we understand the initiative in a positive way, since it contributes to strengthening the members' confidence in the Group.

All this, together with the volatility experienced last year on the capital markets due to uncertainties about some world economies, such as China or Latin America, has prompted management to be more focused than ever on the search for profitability and value for investors, whereas the financing activity for members has been strengthened, both for individuals and companies, while taking the opportunity offered by an environment of low interest rates.

In this context, the Caja de Ingenieros Group has sailed outstandingly well, while achieving record results and consolidating what is most precious to us: the trust of more than 140,000 Bank members. This fills us with pride and enables the Group to grow based on member experience and satisfaction, as membership has grown by 8% this year and the number of new members who have placed their trust in the Caja de Ingenieros Group has registered a 30% increase compared to the growth in 2014. We have also improved our proximity to members through the opening of two new branches in Tarragona and Madrid, hence consolidating the four customised-service branches we already had in Palma, Bilbao, Lleida and Malaga into full-service branches. We have kept up the ongoing effort to invest in technology, while having reached fourteen million euros in the last three years, an effort that maintains the Group's commitment in this area as the basis of service quality in the new context of the financial business. Notwithstanding the above, we face the challenge of further deepening the path we have laid out, supported by the pillars of our cooperative banking model, in order to repeat the successes we all have managed to achieve so far.

In short, 2015 was an excellent year for the Caja de Ingenieros Group, and this has been possible thanks to everyone's efforts. I therefore want to thank, first and foremost, our members for their trust: our drive, rationale and reason for continuing to grow and exceed our goals year after year. Thanks also to the Governing Board, the true guarantor of this trust; the Bank's management team; as well as all employees and professionals working with us, who have made these results possible through their effort and commitment. Together we will keep up the good work to improve the Caja de Ingenieros Group.

Sincerely,

"THE CAJA DE INGENIEROS
GROUP HAS SAILED
OUTSTANDINGLY WELL,
WHILE ACHIEVING
RECORD RESULTS AND
CONSOLIDATING WHAT IS
MOST PRECIOUS TO US:
THE TRUST OF MORE THAN
140,000 BANK MEMBERS."

JOAN CAVALLÉ MIRANDA General Manager

2015 ANNUAL REPORT

Read out at the General Meeting held on 24 May 2016

GENERAL DETAILS

Caja de Crédito de los Ingenieros Sociedad Cooperativa de Crédito, Caja de Ingenieros, was founded in 1967.

It is registered in the Special Register of the Bank of Spain under number 3,025.

Registered in the Central Cooperatives Register under number 14,651 key 1698-SMT of the Ministry of Employment. Registered in the Barcelona Companies Register, page 1, volume 21,606, sheet B-25,121, first entry.

Caja de Ingenieros is a member of the Deposit Guarantee Fund.

Caja de Ingenieros is a registered Public Debt Book-Entry Management Institution.

Caja de Ingenieros is a registered Securities Investment Fund Custodian.

Caja de Ingenieros is a registered Pension Fund Deposit Institution.

Caja de Ingenieros is a member of the National Union of Credit Cooperatives (UNACC).

Caja de Ingenieros is a member of AIAF Mercado de Renta Fija SA.

Caja de Ingenieros is a direct participant in TARGET2-Bank of Spain.

Caja de Ingenieros is a member of the Public Debt Market Book-Entry System.

Caja de Ingenieros is a member of the Barcelona Stock Exchange Securities Clearing and Settlement Service.

Caja de Ingenieros is a partner of the Government of Catalonia Debt Issues programme.

Caja de Ingenieros is a clearing member of MEFFRepo.

Caja de Ingenieros is a member of Spainsif – Spanish Socially Responsible Investment Forum.

Caia de Ingenieros is a member of the Alternative Fixed Income Market (MARF).

Caja de Ingenieros is a member of European DataWarehouse GmbH, the European database for information about securitisation.

The Governing Board convenes the Ordinary General Meeting within the first half of the calendar year by means of a notice published in widely-circulating newspapers within the Bank's sphere of action. During the Meeting the following topics shall be dealt with: review and approval of the Annual Report, Balance Sheet, Income Statement, profit sharing and application of its distribution. It also debates the specific allocation of the Education and Promotion Fund.

Registered Office: Via Laietana, 39 08003 Barcelona

Tax Identification Number: F-08216863 Telephone: (+34) 93 268 29 29

Fax: (+34) 93 310 00 60 Internet: www.caja-ingenieros.es

E-mail: Contacte.Cdl@caja-ingenieros.es

SWIFT: CDENESBB

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THE GROUP
CAJA DE INGENIEROS
IN FIGURES



CAJA DE INGENIEROS GROUP IN FIGURES



Members

Over 140,000 members placed their trust in Caja de Ingenieros. To be precise, in 2015, membership reached the figure of 141,043, which represents an increase of 8.56% over the previous year.





Total capital ratio

Well above the 8% minimum required for financial institutions and the percentage established by Basel III (2019) (10.50%).

15.51%

Structural liquidity

2015 saw improved structural liquidity over the previous year – a ratio of 130.03%.

130.03%



Result for the financial year

The Group's profit for the year, as of 31 December 2015, stood at 11,637 thousands of euros, which represents an increase of 10.54% compared to the end of 2014.

+10.54%



Hedge ratio

The 2015 financial year closed with a high hedge ratio of 94.62% as of 31 December 2015, well above the average for the financial sector, which stood at 61.18%.

94.62%



Staff

Caja de Ingenieros boasted a staff of 417 highly-qualified and experienced professionals, 6.65% more than in 2014. The average age was 38.

417 staff



Operating activities

The result of operating activities increased by 483 thousands of euros (3.56% in relative terms), from 13.585 thousands of euros to 14,068 thousands of euros as of 31 December 2014 and 2015, respectively.



Ratings

Caja de Ingenieros' mortgage-backed securities, TDA 1 and AyT 2, at the end of 2015, enjoyed the sector's highest credit ratings (AA+ and Aa2), according to the rating agencies, Fitch Ratings and Moody's.



Lending

Lending stood at 1,474 millions of euros at the end of 2015, an increase of 3.02% in relative terms compared to the end of the previous year, mainly as a result of increased lending to customers.

+3.56% AA+and Aa2

+3.02%



ROE

Return on equity (ROE) stood at 8.61% at the end of 2015 compared to the 8.35% recorded as of 31 December 2014.



Default ratio

The default rate of 3.53% particularly stood out in contrast to the high levels of bad debt experienced by the sector (10.2%), which attests to the Bank's proper management of credit risk.



ROA

Return on assets (ROA) increased from 0.41% to 0.49% as of 31 December 2014 and 2015, respectively.

8.61%

3.53%

0.49%



Customer funds

Customer-managed funds stood at 3,372 millions of euros as of 31 December 2015, compared to 3.081 millions of euros as of 31 December 2014, representing an increase of 291 millions of euros.





Online channel

Promoting digital banking and member relations using digital environments. 2015 saw an increase of 34% in active users with about 2.7 billion transactions performed.

2.7 billion transactions



Business volume

Business volume amounted to 4,982 millions of euros as of 31 December 2015, compared to 5.049 millions of euros as of 31 December 2014, representing a decrease of 1.33% in relative terms.

4,982

millions of euros



Caja de Ingenieros Foundation

As an example of its social commitment,

the Bank has promoted the development

of over 270 projects over the last four

grants and awards.

years and has given out more than 150

+270projects



CAJA DE INGENIEROS
GROUP
PRESENTATION

INVESTMENT IN TECHNOLOGY TO IMPROVE THE BANK'S EFFICIENCY

04

CAJA DE INGENIEROS GROUP PRESENTATION

"MORE THAN 140,000 MEMBERS TRUST THE CAJA DE INGENIEROS GROUP"



Caja de Ingenieros is a financial and insurance group delivering a personal, business and institutional banking model in Spain, which is committed to serving professionals, whether they are engineers or other professionals.

Established in 1967 as a cooperative credit company by a group of industrial engineers, the Bank has experienced continuous growth throughout these 49 years, without altering its defined purpose from the very beginning: to provide customised financial services under the best sustainability conditions.

As a cooperative credit company, any profits directly revert to all its members, which means it can offer many additional advantages as well as professional and personal services. The cooperative model, which is the foundation of the Caja de Ingenieros Group, fosters principles of ethics, commitment, trust and social responsibility and, therefore, a return to its members and employees, professional communities and also to society as a whole.

The Caja de Ingenieros Group consists of a number of companies that enhance service and support for members: Caja de Ingenieros Gestión, an investment fund management company; Caja de Ingenieros Vida, an insurance and reinsurance and pension plan and fund management company; Caja de Ingenieros Bancaseguros, a bancassurance operator; Ingenium Shopping, Cooperativa de Consumidores y Usuarios de los Ingenieros; and Norbolsa, a securities firm as an associate. Caja de Ingenieros, Sociedad Cooperativa de Crédito, is the parent company. The Group's social action materialises through the Caja de Ingenieros Foundation.

COMPANIES IN THE CAJA DE INGENIEROS GROUP

Company name	Registered address	Corporate purpose
Caja de Crédito de los Ingenieros, S. Coop. de Crédito	Vía Laietana, 39 08030 Barcelona	Cooperative credit company that conducts all kinds of asset, liability and service transactions in banking, with special attention to the financial needs of its members
Caja Ingenieros Gestión, Sociedad Gestora de Instituciones de Inversión Colectiva, SAU	Casp, 88 08010 Barcelona	The Caja de Ingenieros Group investment fund manager
Caja Ingenieros Vida, Compañía de Seguros y Reaseguros, SAU	Casp, 88 08010 Barcelona	Life insurance company marketing additional social insurance products and a pension fund manager
Cooperativa de Consumidores y Usuarios de los Ingenieros (Ingenium Shopping)	Via Laietana, 39 08003 Barcelona	Provision of services and sale of consumer items and supplies for members
Caja Ingenieros, Operador de Bancaseguros Vinculado, SLU	Casp, 88 08010 Barcelona	Bancassurance operator in insurance intermediation
Norbolsa, SV, SA*	Plaza Euskadi, 5 48009 Bilbao	Investment services company
Fundación Caja de Ingenieros	Potosí, 22 08030 Barcelona	Corporate social responsibility vehicle

^{*}Associate. Caja de Ingenieros has a 10% stake in Norbolsa, SV, SA. Even though this is less than 20% of share capital, it has significant influence over the investee, as shown by its seat on the latter's Board of Directors.

CORPORATE ORGANISATION CHART OF CAJA DE INGENIEROS GROUP COMPANIES

CHAIRMAN

José Oriol Sala Arlandis

GENERAL MANAGER

Joan Cavallé Miranda

GOVERNING BOARD

Chairman José Oriol Sala Arlandis

Deputy Chairman Manuel Bertran Mariné

Secretary
Enric Homs Martínez

Members

David Parcerisas Vázquez Pedro A. Hernández del Santo Pedro Marín Giménez Jaime Roure Pagés José María Pera Abadía Félix Masjuán Teixidó Sebastià Carrión Morros Josep M. Muxí Comellas Antonio Santamans Olivé Montserrat Salleras Costal

EXECUTIVE COMMITTEE

Chairman

José Oriol Sala Arlandis

Secretary
Enric Homs Martínez

Members
Manuel Bertran Mariné
Pedro A. Hernández del Santo

MANAGEMENT COMMITTEE

Joan Cavallé Miranda Francesc Durán Lorenzo Jordi Marsan Ruiz Federico Ariza González Montse Bertran Bergua Víctor Cardona Vernet Jaume Franco Domingo David Murano Casanovas José I. Sánchez Rabaneda Isabel Sánchez Soria

CAJA DE INGENIEROS FINANCIAL GROUP

CAJA INGENIEROS GESTIÓN, SOCIEDAD GESTORA DE INSTITUCIONES DE INVERSIÓN COLECTIVA, SAU

Chairman

Màxim Borrell Vidal

Directors

Ferran Sicart Ortí Jordi Martí Pidelaserra

General Manager

Xavier Fábregas Martori

CAJA INGENIEROS, OPERADOR DE BANCASEGUROS VINCULADO, SLU

Sole Director

Jaume Franco Domingo

CAJA INGENIEROS VIDA, COMPAÑÍA DE SEGUROS Y REASEGUROS, SAU

Chairman

Màxim Borrell Vidal

Deputy Chairman

Joan Cavallé Miranda

Member Ferran Sicart Ortí

General Manager

Antoni Fernández Moreno

FUNDACIÓN CAJA DE INGENIEROS

Chairman

José Oriol Sala Arlandis

Deputy Chairman Manuel Bertran Mariné

Secretary
Enric Homs Martínez

Trustees

David Parcerisas Vázquez Pedro A. Hernández del Santo Pedro Marín Giménez Jaime Roure Pagés José María Pera Abadía Félix Masjuán Teixidó Sebastià Carrión Morros Josep M. Muxí Comellas Antonio Santamans Olivé Montserrat Salleras Costal Josefina Cambra Giné Aurelio Luis Azaña García Salvador Domingo Comeche Ramon Ferrer Canela Benjamín Manuel Calvo Pérez Francisco Javier Turégano Gómez* Joan Vallvé Ribera Joan Cavallé Miranda

^{*}Up to Q3 2015.



4.1

MISSION, VISION, VALUES AND STRATEGIC AREAS

MISSION

Deliver sustainable value

The Caja de Ingenieros Group is a cooperative service group for professional communities with the mission of providing sustainable value to members in the financial, professional and personal spheres.

For this purpose, it establishes long-term relationships based on ethics, commitment and trust, and ensures the Group's strength as a means to provide a return to its members, employees, professional communities and society.

Thanks to its focus and service excellence it has become the industry leader and benchmark for professional communities, which its social action is aimed at through the Caja de Ingenieros Foundation.

VISION

Be the leading bank

We want to be the leading bank for the professional communities with which we interact and, more specifically, the main bank of our members through a relationship that exceeds the mere financial component.

To do this, we provide advice and solutions tailored to each member's reality and individual needs with a differential service. We rely on a team of qualified people that are committed to the Bank's mission, as well as to innovation and technology, while constantly working on improving efficiency as a way to ensure sustainability of our value proposition.

VALUES Commitment to our members and society



Integrity.

Loyalty to our principles and ourselves. Acting with integrity, reliability, accountability and transparency in conducting business, work, relationships and compliance with established commitments.



Commitment.

Ability to deliver and persist in achieving the objectives set. It is the manifestation of perseverance and initiative.



Excellence.

Doing our work excellently to be the banking benchmark for professionals, while vigorously seeking imaginative solutions for our members and improving continuously.



Professionalism.

Working with efficiency, rigour and empathy through our efforts, teamwork and continuing education.



Proximity.

Emotional and physical closeness to our members. Building strong, stable and lasting relationships with our members, mainly based on mutual trust and understanding their needs.

STRATEGIC AREAS



1. Growth.

Growing within the segment of the best professionals in Spain, with a strong emphasis on linking members and global solutions to be the leading financial institution of our members.



2. Service excellence.

Developing a service quality model by simplifying procedures and further enhancing the experience of members in dealing with Caja de Ingenieros.



3. Efficiency.

Maximising
Caja de Ingenieros'
efficiency through
productivity
increases, while
seeking opportunities
for synergy through
members and
alliances and
enduring growth in
an environment of
contained costs.



4. People.

Empowering people working in the Group as a key element for the future and driving cultural transformation towards a model with greater delegation, initiative, accountability and fully member- and market-oriented.



5. Soundness and transparency.

Maintaining prudent management and risk control, making transparency towards the member and the market a differential value. 4.2

OUR OPERATIONS

Its members are the foundation of Caja de Ingenieros. Thus, the Bank allocates the necessary resources to improve the services provided to them in the various business segments by adapting and responding to their needs.

As has happened in recent years, Caja de Ingenieros has continued to grow during 2015, increasing its business figures, its turnover and, of course, the number of members who have placed their trust in the Bank.

4.2.1 BUSINESS SEGMENTATION

Business segmentation in the Bank's management allows it to continue to strive for excellence of the rendered service by adapting the service offer to its members' financial and insurance needs.

UNIVERSAL BANKING

Caja de Ingenieros' branches integrate its universal banking services, which also include remote access services (TELEPHONE Banking, ONLINE Banking and MOBILE Banking).

NFW BRANCHES

During 2015, Caja de Ingenieros' proximity has increased through the opening of two new branches located in Tarragona and Madrid, whereas the four existing branches in Palma de Mallorca, Bilbao, Lleida and Malaga, offering a customised service, were consolidated so as to afford comprehensive services.

The 24 physical offices of our branch network are distributed as follows:

1 in Alicante 1 in Palma de Mallorca

9 in Barcelona 1 in Sant Cugat del Vallès (Barcelona)

1 in Sant Cuga 1 in Bilbao 2 in Seville 1 in Girona 1 in Tarragona 1 in Lleida 1 in Valencia 3 in Madrid 1 in Zaragoza

1 in Malaga

In addition to Oficina Directa, where from the service is offered to all members from geographical areas in which the Bank is not physically present.



PERSONAL BANKING

The Bank's Account Managers tailor the investments and savings plans to the needs of each member by adapting them to their risk profile, savings or investment goal, time frame and economic scenarios. As a result, members can enjoy customised financial and insurance services.

At the end of 2015, the Bank boasted 75 Account Managers in Personal Banking, whereas nearly 20,000 members used this customised service.

INSTITUTIONAL BANKING

Caja de Ingenieros works with different academic and professional institutions, a contribution that materialises through numerous cooperation agreements. As a result, the Bank features a range of services and products for each of the industries as well as the students or professionals represented by these institutions (professional associations, universities, etc.).

The 17 new cooperation agreements with professional bodies, associations and academic institutions (universities) signed in 2015 add to a total of 202 agreements signed by the Bank. Through these agreements, Caja de Ingenieros has reached approximately 50,000 new professionals and students.

Throughout 2015, more than 80 activities have been run in cooperation with universities, schools, professional bodies and associations. Similarly, in terms of public institutions, relevant agreements have been reached with different associations and public bodies, including Molins City Council, Malaga City Council and the Generalitat de Valencia.

Caja de Ingenieros has signed various agreements with entities such as Cecot, Farmers' Union, Association of Young Entrepreneurs of Girona in Catalonia, CAEB (Confederation of Business Associations of the Balearics) in Palma de Mallorca. PIMEC. PIMEM or the Association of the Advanced Tertiary of Alicante, with the aim of promoting entrepreneurship, new entrepreneurs and SMEs. It has also established new agreements with professional bodies, associations and universities in locations where there is no actual Caja de Ingenieros branch, such as Tarragona, Manresa or Malaga; thus, the Bank gains visibility in those territories to be able to attract new members.

WHOLESALE BUSINESS

The Wholesale Business area is offered via the areas responsible for corporate funding and aims to add value to institutional investors, corporations, public administrations, insurance companies and other financial institutions.

During its two years of operation, the service has already delivered its first results by streamlining and leveraging synergies among different areas within Caja de Ingenieros. An example of this was the participation in transactions within the primary market for corporate bond issue, providing funding to corporations or opening new business lines with other financial institutions in the field of intermediation of financial assets.

BUSINESS BANKING

2015 saw the consolidation of the business banking service at Caja de Ingenieros. This service, launched in 2013, offers a wide range of differentiated products to finance SMEs.

Currently, this service is being provided to more than 8,000 companies associated with the Bank.



75

Personal Banking Account Managers



17

new cooperation agreements with professional associations



4.2.2 RESEARCH AND DEVELOPMENT

In line with recent years, the Caja de Ingenieros Group has maintained, in 2015, a strong investment in technology as a key factor to customise services to its members, improve the quality of its management and comply with the new regulatory and policy framework.

The Information Systems and Technology area continued with the implementation of the technological transformation programme of the Caja de Ingenieros Group, aligned with its 2012-2015 Strategic Plan and the broad outline of the new Strategic Plan for the 2016-2019 period, which aims to achieve significant improvements in its information systems, facilitate digital transformation and innovate in its business processes.

Some of the most important actions carried out in 2015, in terms of infrastructure and systems, have been the completion of the proof of concept stage of the new architecture for the "core" banking area and projects undertaken according to the network architecture and communications master plan, including the implementation of the new modular design in our internal LAN, renewal of equipment and network elements and improvement of WAN communications with our key service providers. Additionally, the renewal of data storage booths for business applications as well as collaborative and personal contents should be highlighted.

Furthermore, much of the investment made in Information Technologies, during the year 2015, has been allocated to respond to the new European regulatory framework for the financial sector, which has required significant efforts and resources to be able to adapt and develop the systems. In this sense, synergies have been sought between the different needs and these have been used to renovate the applications supporting control processes and reporting to supervisory bodies, such as the CIR (Risk Information Centre) of the Bank of Spain, the Money-Laundering Prevention System, reporting to the Bank of Spain and the European Central Bank, as well as the reform of the equity market settlement system.

During the year 2015, the Bank has developed other noteworthy projects, in addition to the actions described in terms of information systems, with the aim of improving the services offered to its members, the reduction of operational risk and/or the increase in operational efficiency.

- Technological development of new products and services for the member.
- Improvements in contracting through **ONLINE** Banking.
- Selection and acquisition of a new platform, Calypso, for the management of the front-to-back office in the field of financial markets and treasury.

- Expansion of the contents and scope of the corporate data warehouse, which has become the reference data repository for control systems and reporting to regulatory bodies. Additionally, the definition and construction of a datamart and associated dashboards have been started to improve the planning and monitoring of business objectives.
- Incorporation of advanced monitoring systems for managing server farms that make up an emerging private cloud,

- while implementing the new version of VMware (5.5 Enterprise) with the Operations Management module.
- Launch of several strategic projects for improving operational efficiency and service to members, which is expected to be completed and go into production during the 2016-2017 fiscal years.
 Specifically, Caja de Ingenieros is working on the following projects:

STRATEGIC PROJECTS

- New CRM.
- New platform for Caja Ingenieros' subsidiary, Operador de Bancaseguros
 Vinculado, SLU, which will allow us to provide a more flexible and optimal service in the field of insurance.
- Conceptualisation and analysis stage of the ARIES project, which involves the complete renewal of the application concerning Assets and Risks of the Parent Company to offer a better service in the field of asset products (loans, credits and guarantees).
- New "MOBILE Banking" application in the field of mobility (smartphones and tablets), which affords members greater proximity through the mobile channel, hence leveraging this technology potential more optimally. This application has been launched in early 2016.
- New investment fund portal. A website with comprehensive and updated information on investment funds managed by the Group. It has also been launched during the first quarter of 2016.





4.2.3 CHANNELS AND NETWORKS

Caja de Ingenieros considers it important to rely on several channels that allow it to ensure a quality service and communication with its members. The Bank works to ensure a fully flexible and easy communication, thus constituting a unique experience for each member.

In this respect, it is still firmly committed to Digital Banking, which is comprehensive and accessible from computers, phones and mobile devices (smartphones and tablets):

- **ONLINE** Banking
- **PHONE** Banking
- MOBILE Banking

Throughout the year, in terms of online hiring, the contract circuit for securities accounts and investment funds has been improved and the possibility for hiring term

deposits through our **ONLINE** Banking has been included. In addition, the Bank has continued to implement improvements in other existing communication channels.

Also in 2015, Caja de Ingenieros has worked on the new MOBILE Banking app, whose launch has taken place in March 2016, and on a new investment fund website, IngenierosFONDOS.com, which incorporates all the information about the Caja de Ingenieros Gestión management company and the funds themselves, as well as the possibility of hiring these products online.

With these initiatives, the Bank responds to the demands of its members, i.e. being a member of a multiplatform entity, in which they choose the channel they are mostly interested in at any time.

Data on the use of these communication channels by members are shown below.







109,150

users
(an increase of 9.53% compared to 2014)

+34%

growth of active users

87%

of the Bank's active members* rely on the telephone channel

99%

of the Bank's active members* rely on the online channel, whereas 58% of themare active users** 2,694,215

transactions (58% increase compared to 2014)

574,333

transactions performed (35% increase compared to 2014)

40,167,333

transactions performed (22% growth compared to 2014)

^{*}Those with a balance over€00 or who have performed more than 12 transactions in the last 12 months are considered active members.

^{**}Those who use ONLINE Banking at least once a month are considered active users.

CORPORATE GOVERNANCE



05 CORPORATE GOVERNANCE

5.1

ORGANISATIONAL STRUCTURE

Caja de Ingenieros subscribes to a commitment to carry out its activities according to the principles of ethics, transparency and good governance, in response to the requirements of its different stakeholders.

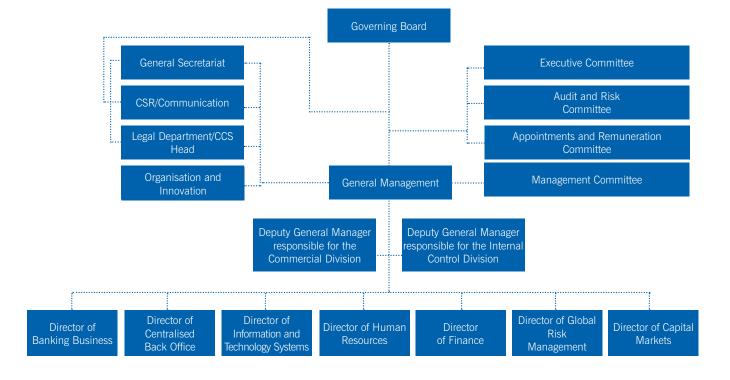
The General Meeting and Governing Board, and the latter's Executive Committee, are the Bank's governing bodies, responsible

for performing control and management functions. The Bank also has two advisory and supervisory committees, the Audit and Risk Committee and the Appointments and Remuneration Committee, which help to facilitate Caja de Ingenieros' control and internal democracy.

The General Management, who is accountable to the Governing Board, participates in the control and management of the Bank – functions that

are set out in its Articles of Association. The Management Committee, the Bank's highest internal governance management and control body, is accountable to the General Management.

The following chart shows the Bank's organisational and governance structure.



GENERAL MEETING

The General Meeting is the highest body of the Bank, responsible for expressing its corporate will. Its functions and powers are set out in the Articles of Association. It is made up of members or their representatives and has the power to discuss matters of interest and take binding decisions, provided that they are not the competence of another of the Bank's corporate bodies. One of its main functions is to set Caja de Ingenieros' overall corporate policy.

GOVERNING BOARD

The Bank's main governing body, responsible for the governance, senior management and representation of Caja de Ingenieros. It is made up of thirteen post holders: a chair, a deputy chair, a secretary and ten members. Twelve of the post holders are elected from among the Bank's members by secret ballot at the General Meeting. The remaining member is a member of staff elected by the employees of the Bank who holds the post for the same term as the other board members.

The representative powers of the Governing Board extend to all activities forming the corporate purpose. The Board's Internal Operating Rules set out its functions, responsibilities, powers and duties, among which the competence to establish general guidelines for action and to exercise all powers that are not assigned by law or the Articles of Association to other corporate bodies is included. The Board meets as often as is necessary for it to perform its duties and at least 6 times a year.

The functions of the Chair of the Governing Board also include legal representation of the Bank, convening meetings of the corporate bodies of which he or she is a member, monitoring and compliance with corporate agreements, corporate signature and implementation of decisions taken by the corporate bodies.

EXECUTIVE COMMITTEE

Consisting of a chair, deputy chair, secretary and a maximum of two members of the Governing Board, the Executive Committee is the body that exercises the powers delegated to it by the Board regarding management and administration, except for those that for legal reasons cannot be delegated, as outlined in the Board's Internal Operating Rules. This Committee meets at least 12 times a year.

The Governing Board always retains its competence in the powers delegated to it and is accountable to the Bank, members, creditors and third parties for the management performed by the Executive Committee.

APPOINTMENTS AND REMUNERATION COMMITTEE

A committee delegated by the Governing Board, of a supervisory and advisory nature on remuneration, selection and appointment of members of the Board, the senior management, key personnel and holders of internal control functions. It is responsible for examining and regularly monitoring the selection, appointments and termination policy for the above-mentioned posts, as well as the Remuneration Policy to ensure that it is aligned with the Bank's principles of sound and prudent management. The Appointments and Remuneration Committee consists of five board representatives occupying the posts of chair, secretary and three committee members, one of whom is the employee board member. The Committee meets on at least an annual basis and works to Governing Board-approved Internal Operating Rules, which set out its functions, responsibilities, powers and duties.

AUDIT AND RISK COMMITTEE

A Governing Board-delegated supervisory and advisory Committee, whose purpose is to perform regular analysis and monitoring of risk in relation to its delegated powers. Its main aim is to assist the Board in setting and monitoring the Bank's risk strategy and activities relating to its

Internal Control Division. It meets on at least a quarterly basis and consists of five board representatives occupying the posts of chair, secretary and three committee members. The Committee's Governing Board-approved Internal Operating Rules set out its functions, responsibilities, powers and duties.

GENERAL MANAGEMENT

Appointed by the Governing Board and accountable to it, the General Manager is responsible for the day-to-day management of the Bank in line with guidelines established by the Governing Board. The General Manager's powers are granted through a public deed of power of attorney and are defined in the Bank's Articles of Association.

MANAGEMENT COMMITTEE

An internal body accountable to the General Management, which has general organisational and business management powers and coordinates the Bank's various business departments and other key areas. The Management Committee meets every two weeks and consists of the following members:

- General Management
- Deputy General Manager responsible for the Internal Control Division
- Deputy General Manager responsible for the Commercial Division
- Director of Global Risk Management
- Director of Finance
- Director of Centralised Back Office
- Director of Human Resources
- Director of Information and Technology Systems

- Director of Banking Business
- Director of Corporate Social Responsibility and Communication

MANAGEMENT AND SUPERVISORY COMMITTEES

Caja de Ingenieros has a number of committees responsible for making decisions on matters relating to the impact on the Bank of economic, regulatory and business factors. They are as follows:

- Executive Committee
- · Business Committee
- Repossessed Properties Supervisory and Monitoring Committee
- · Quality Committee
- MiFID-RIC/AM Committee
- Money Laundering Prevention Committee
- Global Risk Policy Committee
- · Lending Committee
- Lending Policy Committee
- Financial Markets Committee
- · Health and Safety Committee
- Internal Control Committee

5.2

GOOD GOVERNANCE

Caja de Ingenieros has established a business model whose purpose is to provide added value to its stakeholders, based on the application of values such as ethics, commitment and trust – qualities that have been the cornerstones of the Bank since its founding.

With the aim of ensuring good governance practices within the Bank, Caja de Ingenieros applies internal policies and rules that facilitate their implementation, control and monitoring. These include a number of mechanisms that enable it to provide transparent and truthful information to its stakeholders, set standards of conduct for all of its employees and consolidate an efficient and sustainable business model.

CODE OF ETHICS

Caja de Ingenieros' Code of Ethics sets the values, principles and rules of conduct that govern the Bank and the day-to-day actions of all of its staff. The Code is a tool that guides the professional work of its employees, managers and members of its governing bodies under the criteria of honesty, integrity, excellence, accountability and transparency. The Bank complements the performance standards included in the Code of Ethics with the creation and implementation of rules concerning more specific matters. Its Internal Securities Market Code of Conduct is a case in point.

"ETHICAL AND RESPONSIBLE CONDUCT IN DEALINGS WITH OUR STAKFHOLDERS"

"ETHICAL COMMITMENT – A SHARED RESPONSIBILITY"

"WE ARE ALSO TRANSPARENT ON MATTERS OF REMUNERATION"

With the aim of involving all employees in matters relating to ethical conduct, Caja de Ingenieros makes available an "Ethical Channel" – a channel through which any possible breaches of the Code and/or its implementing rules can be reported.

The Internal Control Committee, whose task is to monitor standards of conduct, is the body responsible for monitoring and resolving any breaches detected or reported through this channel. Where applicable, the Internal Control Committee reports on the following aspects to the Bank's governing bodies:

- Deficiencies in procedures and/or internal controls that could jeopardise the corporate integrity of the Bank.
- Monitoring carried out to ensure fulfilment of the criteria and guidelines contained in the Code.
- Actions taken to resolve any ethical issues that could emerge during the course of business and adoption of whatever measures are deemed necessary.

REMUNERATION POLICY

Caja de Ingenieros prides itself on being transparent in all areas of its management, especially with regard to remuneration, for which it has a specific policy.

The Bank's Governing Board-approved Remuneration Policy defines the principles that ensure coherent remuneration aligned with current regulations. Regarding its governing bodies, Caja de Ingenieros' Articles of Association provide that the members of the Governing Board are reimbursed for any expenses incurred during the performance of their duties.

They are also compensated for attendance at Governing Board meetings and its delegated committees, as well as for the performance of any other activity or function of office, through the payment of allowances that are determined and authorised by the General Meeting.

Another example of Caja de Ingenieros' remuneration transparency is the publication of its annual Prudential Relevance Report. This document provides stakeholders with information concerning the remuneration of the members of its Board and Management Committee, and post holders performing key functions in the area of internal control.

MANAGING CONFLICTS OF INTEREST

Caja de Ingenieros' Articles of Association,
Code of Ethics and other internal
implementing policies set the standards
of conduct that enable possible conflicts
of interest to be avoided. These rules
specify that cooperative transactions or
services that favour members of the Board,
its committees, General Management
or individuals related to them, to the
extent permitted by law, are considered to
constitute a conflict of interest and such
members are not permitted to vote on
them.

It has also been determined that the Board or Executive Committee's resolutions on the above-mentioned transactions must necessarily be adopted by means of a secret ballot, after inclusion of the matter on the agenda with sufficient clarity, and by a majority of not less than two-thirds of the total number of members. Once the voting has been held and the result announced, it is valid to place on record any reservations or discrepancies regarding the adopted resolution.

"WE HAVE MECHANISMS TO PREVENT CONFLICTS OF INTEREST"

SUITABILITY OF GOVERNING BODY MEMBERS

The Bank has a Governing Board-approved selection and appointments policy which establishes the need to assess the suitability of candidates with regard to relevant aspects, such as track record, professional experience and knowledge for the functions to be performed.

Caja de Ingenieros can therefore provide the assurance that all members of the Board possess the necessary competencies to perform their functions and ensure good governance of the Bank, given its scale, size and complexity. Through correct application of selection procedures, biases that could potentially result in discriminatory situations are avoided, thereby ensuring that diversity of experience and knowledge take precedence as highly-valued attributes when selecting members of committees.



CREATING SHARED VALUE

CAJA DE INGENIEROS CARRIES OUT ITS BUSINESS AND EXERTS INFLUENCE ON SOCIETY

06 CREATING SHARED VALUE



Caja de Ingenieros carries out its business within society and exerts influence on other members of it. This section looks at the stakeholders with which the Bank interacts and how they are represented by the Governing Board as a whole and its respective committees.

Members/Customers: these are at the centre of the Bank's business. Caja de Ingenieros' commitment to its members and customers is based on creating long-term value, guaranteeing equal rights, providing the utmost information transparency and promoting continuous dialogue through its communication channels.

Employees: people management is a key element in ensuring that staff receive adequate training and can carry out their work in accordance with the principles of equal opportunities and good work-life balance. Through a model of professional interaction and organisation, employees can enhance their talents, skills and abilities – aspects that are highly valued by the Bank in terms of value creation. Caja de Ingenieros' commitment to its staff involves providing development opportunities and fostering talent through pioneering training programmes, promoting diversity and helping its employees achieve a better work-life balance.

Suppliers: the Group's entities apply corporately-established criteria that govern the procurement of goods and services to ensure that, wherever possible, a number of suppliers are considered and purchasing is carried out in such a way that Caja de Ingenieros Group can enjoy the most advantageous terms and conditions for its transactions, while maintaining value and ensuring that decision-making processes are objective and transparent.

Society: Caja de Ingenieros' model of cooperative banking has been characterised, since its founding, by the adoption of the principles of social responsibility as a key element of its corporate governance – principles that are closely linked to the Bank's culture of ethics and values, its commitment to innovation and constant growth and its pursuit of the best institutional practices. Through its Caja de Ingenieros Foundation, it promotes engineering in the social environment, education and culture, and its contribution to the fostering of talent and excellence.

6.1

STAFF

members.

6.1.1 STAFF PROFILE

One of Caja de Ingenieros' cornerstones is its staff. Because of this, Caja de Ingenieros makes every effort to ensure that its employees are offered the opportunity to train and develop their careers within the Bank. The aim is to ensure that the Bank can boast a highly-qualified and trained staff capable of providing the services that it offers to its

	2015	2014
Average number of staff	371.58	341.67
% women	44.21	42.57
% men	55.79	57.43
Average age	38.64	38.58
% of permanent contracts	98.94	99.44
% with university degree	64.47	68.06
Turnover rate [(new employees+voluntary departures)/2*100]/ average staff	11.98	23.12

A STRONG, INCREASINGLY WELL-TRAINED AND EXPERIENCED STAFF

417

staff make up Caja de Ingenieros Group

+6.65% vs 2014





371.58

people make up the average staff

98.94% 99.47% 11.98% 64.47%



Women employees

44.21%

Lowest gross annual starting salary

€0,149.76

Parental leave





6

12

(100% of them returned to their former posts)

6.1.2 EQUAL OPPORTUNITIES

Caja de Ingenieros believes that people should have the same opportunities for getting a job and becoming promoted within the Bank. Thus, it works hard to ensure that all members of its team have these equal opportunities.

With this goal in mind, Caja de Ingenieros has implemented various initiatives, one of which is the creation of an Equality Plan, which promotes equal opportunities and non-discrimination at all levels of the organisation. It has also published a manual that provides guidance on gender neutrality in the Bank's communications to be used as a tool to ensure gender equality.

Its initiatives aimed at ensuring a better work-life balance have also had a positive effect on equal opportunities. The Bank's Corporate Manual, which is accessible to all members of staff, explains all of the measures available to help employees achieve a good work-life balance. These include offering staff flexible working hours, parental leave, the possibility of two periods of unpaid leave per year and shorter working days on the eve of bank holidays and during August.

Today, Caja de Ingenieros has a staff made up of 44.21% women and 55.79% men – a proportion that has remained stable over recent years. Considerable effort has gone into bringing the remuneration and working conditions of female employees into line with that of their male counterparts, but there is still work to be done in certain occupational categories, where there is a higher proportion of men than women. At present, the basic staff salary is set at the minimum level as per the collective agreement and is the same for men and women.

6.1.3 TRAINING

Caja de Ingenieros attaches great importance to staff training to ensure that it can boast highly trained and qualified employees and assist in their professional development. To achieve this, Caja de Ingenieros has implemented annual Training Programmes tailored to the training needs of the different Bank divisions and departments. This provides staff with ongoing training to enhance their talents, skills and abilities, forming part of a model of professional interaction and organisation that represents one of the most important aspects for the Bank in terms of the creation of value.

2015 saw the implementation of various training programmes attended by 1,982 employees, representing 24,450 training hours at an average of 65.80 hours per member of staff. These included a continuation of the Bank's European Financial Advisor certification scheme for members of its commercial department, training in corporate values for new employees, a management and leadership course, and sessions on insurance products for the self-employed. A financial assistance scheme was also introduced to help staff in their English language learning.

Each year, members of staff undergo a performance review to establish their training needs and help manage their professional development. 2015 also saw the introduction of a scheme for setting own targets for all members of staff of Caja de Ingenieros Group linked to a variable remuneration system.

"OUR PRIORITY IS TO EMPLOY A TEAM OF WELL-TRAINED PROFESSIONALS"



1,982

participants in training activities during 2015

24,450

training hours (65.8 h/employee)



"WE CARE ABOUT THE HEALTH AND WELLBEING OF OUR STAFF"



Work accidents requiring sick leave (4 in 2014)

Average length of sick leave due to work accidents (working days) (15 in 2014)

6.1.4 OCCUPATIONAL HEALTH AND SAFETY

Caja de Ingenieros ensures the health and wellbeing of its staff. The Bank has a Health and Safety Committee composed of company representatives and employees and a Health and Safety Service. This service is responsible for organising assessments of occupational hazards, medical check-ups and awareness-raising activities to promote healthy habits among employees.

In 2012, we started a Responsible Health and Safety Conduct project, in which a variety of communication, training and awareness-raising activities were carried out with the aim of promoting healthy habits among staff. Earlier in the year, a "Wellness Week" was held to help inform employees about the importance of healthy habits through workshops on topics such as diet and physical exercise.

Caja de Ingenieros boasts a football team that plays in a local inter-company football league and an athletics and cycling club that participates in official races. Caja de Ingenieros also has an agreement with a chain of local gyms through which staff can enjoy a special discounted rate.

Other activities include the creation of a corporate volunteer scheme, participation in a Catalonian schools financial education project (EFEC) and a campaign to collect food for a local food bank.

Caja de Ingenieros also offers its staff a range of employee benefits, such as life and accident insurance, pension plan and health insurance. They can also enjoy special terms and conditions for various banking products and services.

6.1.5 RELATIONSHIP WITH SENIOR MANAGEMENT

Caja de Ingenieros currently has two mechanisms to ensure direct communication between staff and General Management: Works Councils and "Breakfast with the General Management".

The two Works Councils in Barcelona represent employees in their dealings with the Bank's management bodies. These Works Councils are a participation mechanism through which staff can make suggestions to Management. "Breakfast with the General Management" has also become a popular feature in recent years. This initiative provides the opportunity for small groups of Caja de Ingenieros Group staff to meet the General Management every fortnight in an informal setting to share ideas and suggestions, and ask questions.

A Suggestion Box has also been introduced to encourage members of staff to make suggestions on how to improve the way we go about our business.

All Caja de Ingenieros employees are covered by a Collective Credit Union Employment Agreement, which governs their salary rates. Caja de Ingenieros Group also worked towards building an employer brand with the creation of a web page on a well-known employment website and boosting the profile of its LinkedIn group, made up of members of staff who are especially active on this particular social networking site.

Another initiative was the creation of the position of Human Resources Business Partner (HRBP), who will be responsible for facilitating better alignment and proximity of business needs and strategy with employees. 2015 also saw the conducting of a new climate survey with greater segmentation, which provided us with more information about the situation. Moreover, a survey to mark the conclusion of the 2013-2015 strategic plan.

"OUR AIM IS TO ENSURE DIRECT COMMUNICATION"

"WE TAILOR OUR PRODUCT PORTFOLIO TO THE MARKET AND OUR MEMBERS"



Condicioner

Noma dorniciado del taler solicitante, importe minimo de trainere. 700 euros el importe de trainere de la recibio en la Contra Nomia.

Perios autorizacio de los de presentes

Sin comissiones

Plazo: 2 meses

Grupo 🧓 Caja de Ingenieros

6.2

MEMBERS

PRODUCTS AND SERVICES FOR MEMBERS

A key priority for Caja de Ingenieros is satisfying the expectations of its members. To achieve this, we continue to devote considerable time and effort into technological development with the aim of improving the services we offer to our members, while also increasing the number of people that the Bank can reach.

6.2.1 ACCOUNTS AND DEPOSITS

In much the same way as in recent years, 2015 saw the Bank continue to offer its members products of a conservative nature and focus its efforts on strengthening the online hiring of products.

Conscious of the need to ensure regulatory compliance, and in accordance with current legislation concerning the transparency that comes with improved information (Circular 5/2012 of the Bank of Spain), the Bank has adapted its portfolio to offer its members the best-possible range of products.

An example of this is an annual updating of term deposit products, which, in addition to adapting to the market situation, has enabled us to offer members interesting returns. In 2015, the following structured products were issued:

- Eurolberian 24 Structured (3 issues)
- Selection 36 Structured
- Value 24 Structured (4 issues)
- Triplex Structured (2 issues)

6.2.2 FINANCING SERVICES

In 2015, Caja de Ingenieros continued to work towards satisfying the financing needs of its members and their projects by making a wider range of financial products available (mortgage loans, personal loans, credit facilities and guarantees).

In the mortgage field, as has become traditional, the Bank offers its members one of the most competitive mortgage arrangements in the sector, with excellent terms and conditions of repayment. The figure for first-home mortgage loans granted in 2015 reached 393 at a total value of almost 65 million euros.

The financial year saw the member lending portfolio grow by 2.12%, representing an increase of 30.4 million euros, in contrast to the average performance of the sector, which fell by 4.35%. This figure highlights the Bank's clear vocation of service to its members.

Caja de Ingenieros has an ongoing commitment to offering the best financing options to members by regularly adjusting the interest rates and fees applicable to transactions to ensure that they are some of the most favourable on the market.

CORPORATE FINANCING

During 2015, the Bank continued to refine and consolidate its Corporate Banking department and registered an increase in lending volume of 14% over the previous year. In 2015, the service was extended to all areas in which the Bank operates.

The financial products offered by Caja de Ingenieros to companies include loans to finance investments, with repayment terms tailored to the pace of recouping financed investments, working capital loans, commercial credit facilities and advances on invoices and grants, as well as ICO credit lines for companies and entrepreneurs and IFEM microloans for innovation and entrepreneurship, the latter two of which are only available in Catalonia. We can also explore all financial and economic or technical guarantee possibilities.

In addition to the above range of financing products, the Bank also offers other services and products to companies, including insurance, cash management, financial products with favourable terms and conditions for company employees, Plan 10 for Executives, etc., with which Caja de Ingenieros has accumulated sound experience and a solid reputation.

The corporate finance product range was also expanded with a Caja de Ingenieros/ IFEM credit line scheme (IFEM Creixement) valued at 30 million euros, designed to provide investment or working capital financing exclusively to Catalonian SMEs in amounts ranging from 500,000 to 2,500,000 euros. This credit line is funded by Caja de Ingenieros and the Catalonian Institute of Finance, which uses funds provided by the EU's JEREMIE programme. New products are also being developed for members and companies in relation to foreign transactions, hedge coverages, commercial discounts, etc.

IMAGINE PROGRAMME

Caja de Ingenieros offers various loans aimed at students to help them finance their studies at state schools and universities.

In addition, for the third year running, the Bank continued its involvement in a scheme with the Catalonian University and Research Grant Agency (AGAUR) to help fund the studies of undergraduate and postgraduate students in all of Catalonia's state universities.

We are currently working on new types of loans to offer undergraduate and postgraduate students which are better tailored to their needs and provide them with more favourable terms and conditions. In this regard, the Bank has initiated discussions with different regions in Spain with a view to implementing these products in their universities.





"CAJA DE INGENIEROS OFFERS ALTERNATIVE FINANCING SOLUTIONS IN THE FIXED-INCOME MARKET" In January 2014, Caja de Ingenieros signed an agreement to join the Spanish Alternative Fixed-Income Market (MARF). This body was created in 2013 following one of the recommended guidelines of a Memorandum of Understanding (MOU) signed in July 2012 between the Government of Spain and the Eurogroup. In the MOU, the Spanish Government was entrusted with promoting MARF's current goal: to open new funding channels for small and medium-sized companies, in addition to those offered by the banking system itself, in order to enable credit to flow to the global economy.

MARF has three main components: financial institutions and authorised investment service companies (Members), legal persons with experience in business consulting for issuing securities on the markets (Registered Advisers) and entities authorised to provide investment services to third parties (Mediators). Caja de Ingenieros joined as a member of the market with the aim of participating in both the primary and secondary markets.

Through this membership,
Caja de Ingenieros has taken a step
forward in the search for financing
solutions that are an alternative to
bank credit, particularly for small and
medium-sized companies which, due to
their nature, have difficulty meeting the
requirements to access the AIAF fixedincome market.



6.2.3 PAYMENT SYSTEMS

2015 was marked by the need for the Bank to adapt to Spanish Law 08/2014, which involved redefining its range of products. A range adapted not only to legal requirements, but, above all, to the needs of our members.

This included Caja de Ingenieros providing its Visa Premier card with new insurance coverage at no additional cost to members. The card is now covered by specific insurance for purchases exceeding 60 euros and for cases in which the card is stolen and a cash withdrawal made.

2015 also saw a change in cash withdrawal policies as a result of the approval of an ATM Access Fee, which allows entities that own ATMs to charge an access fee for cash withdrawals made by non-customers.

Because of this situation, and with the desire to provide the best service to its members, Caja de Ingenieros has come to an agreement with other entities to enable customers to make up to five cash withdrawals at ATMs at no cost. The Bank is currently working on expanding its network of ATMs.

With the aim of providing greater security for purchases made online, it has implemented a new system to improve cardholder identification during online shopping. This new system is available for all purchases made on secure e-commerce sites that belong to the Verified by Visa or MasterCard SecureCode authentication services.

Similarly, we continue to offer our CardBenefit service for greater card security, which involves the sending of a free SMS to inform members of national and international transactions and provide them with maximum coverage against fraudulent transactions.



+14.67%

purchasing transactions

10,045,454

transactions



total number of cards

+21.1%

establishments with the Bank's POS terminals



6.2.4. INVESTMENT PRODUCTS

With the aim of offering its members a wide range of investment products, Caja de Ingenieros continuously analyses the opportunities offered by the financial markets. During the process of creation and development of these products, the Bank seeks to meet the investment requirements of members in order to provide investment solutions with or without capital protection and with different profitability alternatives. Products are created with standard parameters for commercial banking investment solutions and tailored parameters for personal and institutional banking.

In 2015, a total of 10 structured products were developed in the form of deposits with protected capital, indexed to the IBEX 35, Nikkei, S&P 500 and an IBEX 35 stock basket. The total amount managed in this section amounted to 54 million euros.

2015 also saw the creation and marketing of two structured note issues without 100% of the capital guaranteed. The issues were aimed at personal banking members with a certain minimum wealth and always commensurate with the risk profile and members' financial expertise, which is determined by MiFID suitability and appropriateness tests.

In February 2015, the Bank participated in the IPO of AENA as a book runner associated with Norbolsa in the retail tranche of the transaction and generated a total of more than 650 orders from among its members.

In November 2015, Caja de Ingenieros participated as a book runner associated with Norbolsa in a new issue of low-taxation bonds from Audasa, Autopistas del Atlántico, Concesionaria Española. With this 10-year issue with tax advantages, the Bank generated over 200 orders from its personal banking members.

The Discretionary Fund Portfolio Management Service recorded at year-end 2015 a total of 644 managed portfolios, representing a managed assets total of over 87 million euros.

6.2.5. INVESTMENT MANAGEMENT

The Caja de Ingenieros Group investment portfolio is managed with the aim of optimising the profitability of the Bank's financial resources. The management of the portfolio is subject to the Bank's investment policy, meaning that it must continually comply with credit risk, concentration risk, market risk and liquidity risk limits. Management is tailored to the guidelines set by the Assets and Liabilities Committee and the Financial Markets

Financial asset brokering with members is performed under strict compliance with MiFID regulations. Each investment proposal is screened by analysing the member's profile and associated risk, and commercial information about financial products and services reflects the risk profile information.

Caja de Ingenieros participates in domestic and international primary and secondary government debt and corporate bond markets, as well as in international derivatives markets in Europe (MEFF, Eurex and LIFFE Euronext) and the US (Chicago Mercantile Exchange).

Furthermore, it is a member of the Spanish AIAF fixed-income market and the Alternative Fixed-Income Market (MARF); it has access to leading settlement systems and platforms, such as Iberclear, CADE, Euroclear and Cedel; it is a member of the Barcelona Stock Exchange Securities Clearing and Settlement Service (SCLBARNA); and it is a collaborating entity in the Regional Government of Catalonia's debt issue programme. Additionally, Caja de Ingenieros strengthens the settlement of financing transactions by the MEFFRepo Central Clearing House, the clearing house for refinancing fixed-income securities (repos). The settlement of these financing transactions by this clearing house means reduced counterparty risk, since the counterparty with which the transaction is negotiated is MEFFRepo. instead of the financial institution.

Caja de Ingenieros is also a member of the European DataWarehouse GmbH, a European Central Bank securitisation issue initiative aimed at increasing the transparency of securitisation market information.



Caja Ingenieros Vida, Compañía de Seguros y Reaseguros, SAU

Offers members our own life insurance products and, at the same time, acts as manager of Caja de Ingenieros Group's pension plans and funds.

Caja Ingenieros, Operador de Banca-Seguros Vinculado, SLU

Carries out mediation work in general insurance as a banking-insurance operator linked to different companies.

6.2.6 INSURANCE BUSINESS

Caja de Ingenieros Group's insurance arm, consisting of Caja Ingenieros Vida, Compañía de Seguros y Reaseguros, SAU and Caja Ingenieros, Operador de Banca Seguros Vinculado, SLU, is responsible for providing its members with insurance and pension solutions. The services made available to our members, in addition to covering the risks associated with the contracting of the Group's different financial products and services, also offer comprehensive insurance solutions in all areas. The Group's insurance business takes advantage of the synergies offered by the financial institution's business and the ease of identification and optimisation of skills and knowledge in areas such as investment management and control and risk management.

The development of own products in the fields of life insurance and pensions allows us to offer solutions tailored to the specific characteristics of our members/customers and help them complement the benefits provided by the state pension system. Caja Ingenieros, Operador de Banca-Seguros Vinculado, SLU, through agreements with the main companies in the market, enables the Group to complete the range of insurance products offered to cover areas such as personal, asset and civil liability risk for private, professional and business customers.

In 2015, Caja de Ingenieros' range of insurance products and services was consolidated and saw a growth of 29.1% compared to 2014, a figure that shows that one of the Group's main strategic milestones is coming to fruition: that of positioning itself among its members as a leading insurance and pension plan provider. In total, the insurance portfolio managed by Caja Ingenieros, Operador de Banca-Seguros Vinculado, SLU exceeded 11.4 million euros and grew by 13.8% compared to 2014, a figure that is significantly higher than the average for the market, which stood at 2.1%.

Caja Ingenieros Vida experienced the highest growth of all entities in Spain during 2015 with an increase of 98.23% in total premium volume compared to 2014. According to ranking information provided by Total Seguro, published by ICEA (Insurance and Pension Fund Cooperative Research), this figure is well above the industry average, which stood at 2.06% growth. As of 31 December 2015, the assets managed by Caja Ingenieros Vida amounted to a total of 369,471 thousands of euros (3.31% higher than the previous year). Additionally, the financial year saw a solvency margin result of 6,623 thousands of euros, which exceeds by 112% the minimum amount required.

6.2.7 MEMBER/CUSTOMER SERVICE

Member/Customer Service, or in certain cases, the Member/Customer Ombudsman, is responsible for responding to complaints and claims submitted to it. These powers are contained in Caja de Ingenieros Group's Member/Customer Service Rules.

In 2015, the Service received and processed a total of 35 complaints or claims, of which 11 were resolved in favour of the Group, five are awaiting a response from the body to which they were submitted and 12 were resolved favourably for the member. Three complaints or claims were closed due to defects in form.

And three complaints or claims outstanding from the previous year were resolved: two in favour of the Group and one in favour of the member.

6.2.8 COMMUNICATION

Caja de Ingenieros promotes good communication with its members as a basis for establishing a close, transparent and high-quality relationship. It maintains a policy of communicating the Group's most important events and developments in numerous press publications. In 2015, 875 articles were published about Caja de Ingenieros Group in major newspapers and magazines, representing an increase of 148% compared to 2014.

Caja de Ingenieros also continued to consolidate its presence on social networking sites, which it began in 2013 as a means of communicating with members, and is currently on Facebook, Twitter, YouTube, LinkedIn, Instagram. Google+ and Periscope. It has managed to become one of the most followed financial institutions in relation to its total membership. Particularly noteworthy compared to 2014 were 400% and 20% increases in Twitter and Facebook followers respectively, and the fact that Caja de Ingenieros became the first entity in the country to use Periscope as a tool for communicating with its members.

CERTIFICATE OF CORPORATE SOCIAL RESPONSIBILITY

In 2015, Caja de Ingenieros was again honoured by the Association for Self-Regulation of Commercial Communication, also known as Autocontrol, with a "Certificate of Corporate Social Responsibility" and an "Equality in the Workplace" mark.

The Certificate of Corporate Social Responsibility recognises the compliance of all of the Bank's commercial communications with the principles of the Code of Conduct for Self-Regulated Advertising, which promotes advertising ethics and respect for the rights of consumers. The "Equality in the Workplace" mark, in turn, attests to the absence of sex discriminatory content in Caja de Ingenieros' advertising.

In 2015, Caja de Ingenieros consulted Autocontrol on 83 occasions regarding advertising content and only needed to make changes in 8 cases. In turn, Autocontrol dealt with 23 legal enquiries and 8 technical and legal enquiries regarding cookies in relation to Caja de Ingenieros' advertising.

MEETINGS

Between Deflation and Recovery: A Sustainable Situation? Investment Strategies

Barcelona, Madrid

The Stock Market: Investment
Opportunities in the Current Climate
Barcelona, Madrid

ISR Week Barcelona

Behavioural Finance: Common Investment Mistakes

Girona

Is the Current State Pension System Viable?

Barcelona, Madrid, Zaragoza, Girona, Valencia

University Student Employment Forum Balearic Islands

Caja de Ingenieros continued to hold its "Caja de Ingenieros Themed Conferences" for members, designed to address topics of interest through interaction and discussion. These meetings enable members to find out about future market prospects through direct contact with investment managers. And enhance their financial culture, while providing useful information on how to tailor products to their needs.

In 2015, Caja de Ingenieros continued to work with the Capital Market in the organisation of meetings in different Spanish cities with a dual purpose: to foster a good relationship between the commercial division and members and enhance our vocation of service. The conferences organised in 2015 were entitled "Between Deflation and Recovery: A Sustainable Situation? "Investment Strategies" and "The Stock Market: Investment Opportunities in the Current Climate."

6.2.9 INGENIUM SHOPPING

The Ingenium Shopping scheme, which started in 2011, involves establishing agreements with a selection of commercial firms to offer specially-discounted prices to members of Caja de Ingenieros in purchases made in their establishments. To take advantage of these special prices, members have to pay online with a Caja de Ingenieros debit or credit card. More than 130 establishments throughout Spain are currently part of the scheme.

By the end of 2015, the Ingenium Shopping scheme had the participation of 131 commercial firms (121 at the end of 2014) throughout Spain. The year saw the total number of transactions grow to 214,472 from 180,713 in 2014, representing a considerable increase of 18.68%. The volume of member purchases increased from 7,674,602 euros in 2014 to 9,408,384 euros in 2015, representing an increase of 22,59%.



131

participating establishments +8.26%

214,472 9.4 MM€

member transactions +18.68%

volume of member purchases +22.59%



INGENIUM SHOPPING PARTICIPATING ESTABLISHMENTS

5 a Sèc	La Tramoia	FFCC-Ferrocarrils Generalitat	Per Uomo	
Abacus	La Vida es Bella	Fincas Mas Rodó	Piscolabis	
Acuario de Sevilla	Las Thermas de Ruhan	Flor de Sal	Promentrada	
Agustí Torelló	L'Auditori	Flores Navarro	Promescena	
Aire Baños Árabes	Lavinia	Fundació Claror	Quasi Queviures	
Apartamentos Alhambra	Maritim	Galp	Querida Carmen	
Aramon	Masella	Game	Raima	
Attic	Maximiliano Jabugo	General Óptica	Residencial Sanitas	
Baños Árabes Medina Mayrit	Mercat de la Princesa	Golf Player	Rodi	
Baqueira Beret	Miranda Interiorisme	Groupalia	Ruralka	
Benitosport	Moniberic	H10 Hotels	Securitas Direct	
Bluespace	Montblanc	Hanna Center	Sephora	
Boí Taüll	Mooi	Hoko	Sierra Nevada	
Can Caralleu	MyEntrada	Holmes Place	Silbon	
Casa de la Estilográfica	Nanimarquina	HomeCarWash	Smartbox	
Casa del Libro	Nello's	Hotels Barceló	Sony	
Casanova Foto	Neyras	Iberia	Stoks Didactic	
Caviar Río Frío	NH Hoteles	Ibérica Quesos	Тара Тара	
Cepsa	Nice Things	II Tacco	Temporada Alta	
Circuit de Catalunya	Nuria Cobo	Institut d'Estudis Nord-Americans	Tenorio	
Citrus	OBBIO	Interflora	Tienda Animal	
Ciutat de les Arts i les Ciències	Oh!ffice	Isla Mágica	Tomás Colomer	
Clínica Baviera	Oi2	Jardinería Bordas	Tomás Domingo	
ClubKviar	OKB Pop Up Store	Joyería Bagués	Torrons Vicens	
Daps	Oleoestepa	Joyería Suárez	Tradelnn	
Divinus	Olympus	Konema	Trobador	
Douglas	Organic's	K-tuin	Txapela	
Easy Go	Osorno	L'Aquàrium	Viajes Latitude	
El Gran Café	Otto Sylt	La Botiga	Viajes Tarannà	
Electrodomèstics Calbet	Palacio del Bebé	La Carpeta	Viajes TP	
Embutishop	Paradores de Turismo	La Roca i Rozas Village	Vincci Hoteles	
Eurekakids	Parque Zoológico	La Tavella	Vista Óptica	
Europcar	Pepa Paper	La Tienda del Buceo		



6.2.10 CREATING VALUE FOR MEMBERS

MOBILITY

One of the priorities of Digital Banking in 2015 was the improvement and growth

of the MOBILE Banking Channel. This initiative has enabled Caja de Ingenieros to consolidate itself as an entity that champions digitisation in order to expand the range of communication and personal finance management channels it makes available to members. This means that members can freely choose the best channel for them to use at any time, ensuring that, whatever the choice, they can enjoy the same services and a unique user experience.

The Bank has also created a **MOBILE** Banking app for smartphones and tablets. The possibility of geolocating ATMs and branches that are situated close to a particular location or address. incorporating, in the first case, augmented reality (AR), is one of the most outstanding features and provides advantages in the field of mobility. The app also incorporates a currency calculator, enables card purchases to be split up into instalments based on a prior simulation and can perform all of the main **ONLINE** Banking transactions. In addition, with its direct access to Ingenieros STOCK MARKET, users can consult all major markets and financial news.

ACCESSIBILITY AND USABILITY

Ensuring accessibility and usability in all of the different communication and service channels is one of the Bank's firm commitments. In 2012, Caja de Ingenieros' *online* channel obtained EuroCert certification with a AA rating for web accessibility according to W3C-WAI WCAG 1.0 standards, which certifies ease and speed of use. All of these features enable members with disabilities to access **ONLINE** Banking without barriers.

Since then, Caja de Ingenieros has continued to work on removing any barriers to accessing its various channels and websites with the intention of achieving certification of all of these services. This certification will fulfil the goal of making all of its Digital Banking 100% accessible, thereby improving the usability of the channels that it encompasses.

With this aim in mind, the Bank provides its members with a signature code card in braille which allows people with visual disabilities to perform any transaction through **ONLINE** Banking, **MOBILE** Banking and **TELEPHONE** Banking. In addition, in 2015, a new signature code card with oversized lettering was also made available to this customer group. All of this has enabled the Bank to increase the number of people with visual disabilities (mild visual impairment, colour blindness, the elderly, etc.) who can use its various channels.

6.3

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

6.3.1 EDUCATION AND PROMOTION FUND

Caja de Ingenieros has an Education and Promotion Fund whose purpose is to fund activities with the following goals:

- Training and education of credit union members and employees in cooperative principles and values or in specific areas of its corporate or employment activity and other credit union activities.
- Publicising credit unions and fostering inter-credit union relations.

 Cultural, professional and social welfare promotion of the local environment or the community at large, as well as improving quality of life, community development and environmental protection initiatives.

Caja de Ingenieros allocates the Fund at least 10% of its surplus to ensure that sufficient resources are available to achieve its stated objectives. In 2015, €34,000 was allocated.

The Bank, convinced of the importance of continuing to promote these kinds of activities, has allocated the fund a budget of €80,000 for 2016.

EDUCATION AND PROMOTION FUND BUDGET



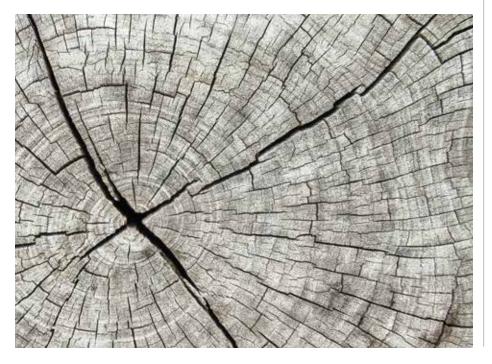
30,000

UNACC (National Union of Credit Unions)

400,000

Social action (contribution to the Caja de Ingenieros Foundation)

Amounts expressed in euros



272

150 grants and awards

36
Ideas Meeting Point competition candidates

250
Isabel P. de Trabal Grant candidates

76
Entrepreneurship Awards candidates

+1,100
unemployed people enrolled on courses

6.3.2 CAJA DE INGENIEROS FOUNDATION

Caja de Ingenieros always had a strong commitment to society through the Engineers Sociocultural and Technological Association, which, after the founding of the Bank as a cooperative credit institution in 1967, until recently, undertook its social projects work. This Association became the Caja de Ingenieros Foundation at the end of 2011. The Caja de Ingenieros Foundation is a private non-profit entity that was founded with the aim of undertaking this social commitment and managing resources for the promotion and implementation of various activities to foster a more just, free and cohesive society.

The Foundation has an annual plan, drawn up by its board of trustees, of the actions that it intends to undertake or support for that year. The Foundation's own lines of action, that is to say, activities that represent an improvement in quality of life; facilitate social and vocational reintegration, especially among the most disadvantaged groups; protect the natural environment; foster innovation, training and professional excellence; and promote culture and sport, are its main priorities.

In its first four years, the Foundation has channelled a significant number of the social initiatives undertaken by Caia de Ingenieros and has consolidated itself as one of the most important vehicles for fulfilling Caja de Ingenieros' social commitment. Since its founding, the Foundation has been the driving force behind 270 projects, has allocated more than € million and has bestowed over 150 grants and awards. A total of 36 candidates have submitted projects for the Ideas Meeting Point competition, 250 for the Isabel P. de Trabal Grant, 76 for the Entrepreneurship Awards and over 1,100 unemployed people have enrolled on courses.

The Caja de Ingenieros Foundation promotes and uses dialogue and cooperative principles for strengthening social cohesion and provides initiatives to solve the problems our society is facing in different areas. The Foundation's annual Social Report details the activities it has carried out in its various spheres of action.



MISSION CARBON NEUTRAL

In 2011, the Caja de Ingenieros Foundation decided to launch its carbon management strategy. In 2015. as it does every year, it offset the emissions generated during the 2013-2014 period that could not be avoided by financing "Clean CO₂ Certified" carbon emission offset projects to help reduce greenhouse gases. In particular, carbon credits were acquired from the Bandeira and Capelli Ceramics Project in Brazil, whose goal is to replace the use of native wood from forests under threat of deforestation with renewable biomass from the region and therefore reduce GHG emissions associated with the original activity. This is a high-quality project that, in addition to reducing emissions, produces additional benefits for the local population and area.

6.3.3. THE ENVIRONMENT

Caja de Ingenieros is aware of the importance of acting responsibly in order to help protect the environment. The effort it makes in maintaining a policy of continuous improvement in environmental management is an example of this.

One of the main environmental impacts associated with the work that Caja de Ingenieros carries out in its branches is its consumption of paper. With the desire to minimise it, the Bank promotes responsible paper use among its staff and applies environmental criteria to the design of all of its operational documents, which also has the effect of reducing the consumption of coloured inks.

Caja de Ingenieros is committed to digital banking and encourages its members to interact with it easily and flexibly via computer, telephone or mobile device. The sending of documents to members by email (e-doc service), instead of ordinary mail, is another noteworthy initiative that it pursues in this regard.

Given the impossibility today of completely eliminating the use of paper, Caja de Ingenieros makes sure that the paper it does use is predominantly FSC labelled, which certifies that it comes from responsibly-managed forests.

In terms of energy consumption, in 2015, Caja de Ingenieros continued to use automation and control equipment and systems in several of its branches. Its use of building automation systems to control the operation of HVAC, lighting and other energy consuming facilities allows the Bank to improve energy and operational efficiency while also reducing their environmental impact.



22.70

tonnes of total paper consumed* (-12.69% vs. 2014)

* This paper consumption figure relates to the purchase of the material, which means that this figure will vary depending on the date of purchase.

Another measure that helps reduce and optimise the Bank's electricity consumption is improvement of lighting systems and equipment in its branches. In 2014, Caja de Ingenieros began to replace its old light bulbs with the energy-efficient variety and fit motion-sensing lighting in transit areas.

Caja de Ingenieros Group, through the Caja de Ingenieros Foundation, collaborates with environmental entities and organisations to develop natural heritage protection initiatives. Throughout 2015, the Foundation continued supporting two important projects on biodiversity and combating climate change. One was Acciónatura, which is dedicated to the conservation of old-growth forests, and the other was an initiative to offset emissions generated by activities during the 2013-2014 period by purchasing "Clean CO₂ Certified" carbon credits, as part of the Bank's carbon management strategy which began in 2011.

"COMMITTED TO THE ENVIRONMENT"



6.3.4. SOCIALLY RESPONSIBLE INVESTMENT

Caja de Ingenieros was the first and is the only credit union member of Spainsif, a non-profit organisation made up of entities that are interested in promoting socially responsible investment in Spain. Spainsif's mission is to promote the incorporation of environmental, social and good corporate governance criteria into investment policies, thereby contributing to sustainable development.

As a member of Spainsif, and in line with its own mission, Caja de Ingenieros has, since 2006, offered socially responsible investment alternatives, such as the Fonengin SRI investment fund and the SRI pension plan, Caja Ingenieros Global

Sustainability SRI. This reflects the Bank's social commitment.

In addition, since 2014, Caja Ingenieros Gestión has adhered to the internationally-recognised Principles for Responsible Investment (PRI). PRI is an organisation whose aim is to promote the application of extra-financial criteria when making investment decisions. Its main supporters are the UNEP Finance Initiative and United Nations Global Compact, both of which are linked to the United Nations.

For Caja de Ingenieros Gestión SGIIC, being part of this organisation represents a step towards a model of sustainable management. And reaffirms the Bank's commitment to a strategy of consolidation and maintaining a vision of long-term growth.



"CAJA DE INGENIEROS

– THE FIRST AND ONLY
CREDIT UNION MEMBER OF
SPAINSIF"



O7
MACROECONOMIC
ENVIRONMENT

THE COUNTRIES
OF THE EUROPEAN
PERIPHERY LEAD
THE WAY IN GROWTH
IN THE EUROZONE
AS A WHOLE

MACROECONOMIC ENVIRONMENT



Moderate growth

1.6%

EMU

Economic recovery in eurozone economies continued on a moderate path in 2015, with an annual increase of 1.6%. High levels of public and private debt, high unemployment and internal rigidities slowed recovery.

Similar to advanced economies, recovery was driven by domestic consumption thanks to containment of energy prices, low borrowing rates and recovery in lending to the real economy. Despite this, inflation and the inflation expectations of economic agents remained well below target levels mainly as a result of a decline in raw material prices and a slowdown in world trade, which particularly affected emerging economies.

In terms of a country-by-country analysis, those on the European periphery led the way in growth in the eurozone as a whole, Ireland and Spain being the largest contributors to growth with gains in GDP of 7.8% and 3.2%, respectively. By contrast, France and Italy, both lagging behind in the implementation of structural reforms, were, together with certain other Central European countries, the slowest growing, with increases of GDP of around 1% at the close of the year.

2015 was not without a number of significant geopolitical events. The most challenging moment of instability occurred in the summer with the outbreak of another crisis in Greece, which found itself immersed in economic negotiations for the repayment of a new financial aid package to meet debt maturities, triggering, in turn. a political and economic crisis that resulted in parliamentary elections and limits on bank cash withdrawals, before it accepted the conditions for receiving its third bailout. The year also saw an institutional crisis following the entry of increased numbers of refugees into Europe from the Middle East and the approach of the UK's EU Brexit referendum.

SPAIN

After six years of recession and low growth, Spain's economic recovery, which began in the second half of 2013, continued its upward trend in 2015, with GDP growth of 3.2%, well above the average for other countries of the eurozone. In an environment of greater confidence, domestic demand continued to lead the way in growth, helped by job creation, increased lending by banks to businesses and households, low levels of inflation, the depreciation of the euro and a fall in fuel prices. This last point meant that the overall rate of inflation stayed in negative territory, specifically -0.5%.

The return to economic growth and reforms in response to the financial crisis enabled economic imbalances to continue being reduced. The current account balance continued to improve thanks to gains in competitiveness and the favourable evolution of external demand. Although it was undoubtedly energy cost savings resulting from falling oil prices that contributed the most to the current account surplus during the period. Despite this, public debt, measured in terms of GDP. increased to over 100%, while the deficit continued to decline, driven by increased tax revenues from the growth in domestic demand and containment of regional government spending.

The job market again stood out positively with continued signs of improvement. The unemployment rate ended at 22.1%, almost 3 percentage points lower than in 2014. Increased labour market flexibility, wage moderation and reduced unit labour costs, in comparison to other eurozone countries, showed some of the most significant advances in recent years. On the negative side, the unemployment rate remained the highest in the EU, reflecting the country's significant structural difficulties, particularly evidenced by the persistently high long-term unemployment rate.

The housing market showed signs of stabilising after the sharp adjustments experienced in the years following the economic crisis. Housing prices during 2015 continued the upward trend that began in 2014. The number of purchases continued to increase, but the high levels of unsold housing stock continued to partly hold back the full recovery of the sector.





GDP growth

3.2%



Unemployment rate

22.1%



Private consumption, which accounts for two thirds of US GDP, was again instrumental in the economic recovery

USA

The US economy, for the sixth consecutive year, continued to show solid growth during 2015. The economy as a whole grew at a rate of 2.4%, the same figure as that recorded for the previous year, while continuing to face the uncertainties caused by the slowdown in growth of emerging economies and the persistent drop in the price of raw materials.

Private consumption, which accounts for two thirds of US GDP, was again decisive for the economic recovery, in spite of moderate wage growth reducing growth potential, which was also hampered by the strong dollar. The labour market again showed signs of improvement, with the unemployment rate again closing at historically low levels of 5%, which virtually represents full employment. The good news was partially offset by the difficulty in improving the quality of employment generation measured by a participation rate of 62%.

EMERGING ECONOMIES

Emerging economies experienced the worst performance in terms of growth since the financial crisis of 2008-2009, growing by just 4% in 2015. This growth was largely influenced by the economic transition of the Chinese economy from one model based on investment and exports, to a model based on consumption and services. Although this structural change is not without risk, GDP growth of 6.9% was satisfactory and in line with the expectations of the authorities. However, this transition means lower demand for materials, which put pressure on prices and therefore the activity of commodityproducing countries. Additionally, OPEC countries remained firm on their strategy to not reduce production levels and, as supply levels were above demand levels,

prices continued their downward trend in the period. Against this backdrop, countries like Russia (-3.7%) and Brazil (-3.8%) fell into recession, the latter after experiencing a deep internal political crisis as a result of the Petrobras scandal.

Countries that only import raw materials continued to show solid performance during the period. India and Southeast Asian countries as a whole grew vigorously, posting growth rates of 7.3% and 4.7%, respectively, and benefiting from positive population pyramids and relative political stability. Finally, special mention should be made of Mexico, which rose 2.5% thanks to its trade ties with the US and the reactivation of the consumption, which offset the negative performance of the energy sector.

Overall, levels of public debt in emerging countries continued to increase, which will hamper the potential for long-term growth and could cause imbalances as the Federal Reserve gradually withdraws its expansionary monetary policy. Although the contagion effect should be limited in developed economies, a further increase in risk aversion globally could amplify the effects of such a contagion.

7.1

FINANCIAL MARKETS

In 2015, financial markets were marked by the performance of the Chinese economy and the decline in the price of raw materials, mainly oil. The evolution of both elements had, to a greater or lesser extent, an impact on the monetary policy of the major central banks.

In China, the economic slowdown worsened in the second half of 2015. While some of this weakness was due to the Chinese government's change of economic model from an export- and public investment-based economy to one in which domestic consumption has greater weight, strong capital outflows from the country led to a surprise change in exchange rate policy by the People's Bank of China (PBOC) in August. The PBOC ended its system of fixed exchange rates, providing it with greater flexibility by setting a floating band of 2% referenced to the previous day's rates. The measure had an immediate impact on the yuan, causing it to depreciate considerably.

The PBOC also lowered the official interest rate five times from 5.60% at the beginning of the year to 4.35% at the end of 2015. Both measures were linked to efforts by the Chinese authorities to curb the outflow of capital and gain credibility in its request to the International Monetary Fund (IMF) for its currency to become an international reserve currency.

In the US, the Federal Reserve at its meeting in December, after having postponed the decision in September for precaution, finally raised the official interest rate. Despite growing doubts about the global economy during the second half of the year (particularly in emerging economies), a Chinese economy exporting deflation and a possible contagion effect on the US economy, the strength of American macroeconomic data, mainly driven by domestic consumption and the robustness of the labour market, enabled the Janet Yellen-chaired institution to raise the interest rate range by 0.25 basis points to 0.25%-0.50%.

With the first rate hike in over nine years, the Federal Reserve brought to an end the worst financial crisis in decades. Given the symbolic importance of the decision, the Federal Open Market Committee (FOMC) noted that the pace of rate hikes would depend on the evolution of the labour market, economic growth and inflation, without their being, in this way, any predefined pattern that could call into question the country's economic expansion.

In Europe, the European Central Bank (ECB) played a key role in the latest instalment of the Greek crisis that took place in 2015. During the months of negotiations between the European authorities, the International Monetary Fund (IMF) and the Svriza-led Greek government, during which a referendum was called in June to seek the opinion of the Greek people about the conditions imposed by the European troika to unlock the aid package, the ECB managed to sustain Greek banks with emergency liquidity assistance (ELA) before a definitive agreement was reached on the third bailout of the ailing Greek economy to prevent the economic collapse of the country.

In December, the ECB responded to lower expectations for inflation and economic growth in the eurozone with several expansionary monetary measures. First. the ECB decided to keep the official interest rate at 0.05% and to reduce the interest rate applicable to the deposit facility, which is the interest rate that the ECB has to pay for deposits received from financial institutions, by 10 basis points to -0.30%. Second, within the nonstandard measures, the ECB decided to extend the duration of the asset purchase programme from September 2016 to March 2017. Thirdly, the Mario Draghichaired organisation decided to reinvest the principal of the securities acquired under the QE programme as they amortise for as long as necessary. Finally, eurodenominated marketable debt instruments issued by regional and local governments in the eurozone were included on the list of eligible assets for periodic acquisitions by national central banks.

All of these announced measures had the immediate aim of injecting liquidity, reducing funding costs and increasing lending in the real economy to eventually boost growth and raise inflation expectations in the eurozone.

In Japan, after a good start to the year at macroeconomic level, GDP in the second quarter shrank by 1.6% as a result of a sharp drop in exports and a reduction in domestic consumption. This cooling of the Japanese economy, coupled with inflation levels close to 0%, led the Bank of Japan (BoJ) to expand its asset purchase programme in its last meeting of 2015.

Firstly, the BoJ decided to increase the amount of its annual purchases of Japanese government bonds to 80 billion yen in order to reduce financing costs along the entire Japanese debt curve. Secondly, the range of eligible assets for the Japanese Exchange Trade Fund (ETF) and Real Estate Investment Trust (REIT) purchase programme was expanded. In short, the BoJ accentuated its expansionary monetary policy at the end of the year with the aim of supporting economic growth and boosting the consumer price index (CPI) to enable it to reach the target levels of 2%.

Despite the telegraphed rate hike by the Federal Reserve in December 2015, the expansionary monetary policies of the BPOC, BoJ and ECB, lower inflation expectations and falls in raw material prices kept yields on fixed-income assets at historical minimums globally.

In Europe, the yield of the German 10-year bond stood at 0.63% at the end of 2015, after trading below 0.10% in April. It should be noted that the entire German curve with maturities equal to or less than 5 years closed 2015 with negative yields.

For its part, the yield on Spanish 10-year bonds ended the year at 1.77%. The Spanish risk premium rose slightly from 107 to 114 basis points, hampered by the political situation in the country. Despite political uncertainty during the latter part of the year, Spanish debt yield at 1 and 2 years was in negative territory thanks to lower short-term inflation expectations and the expansion of the ECB's QE asset purchase programme.

Across the Atlantic, despite the first rise in the official interest rate in more than nine years, the fact that the Federal Reserve highlighted that its monetary policy would be flexible and dependent on the economic performance of the country and inflation expectations, and not the reverse, enabled US sovereign debt yield to close at levels similar to 2014. The 10-year bond yield stood at 2.27% at the end of 2015, slightly higher than at the end of the previous year (2.17%).

Unlike the previous year, equity and raw material markets had a mixed performance during the period. As in 2014, the most penalised financial assets were raw materials, while the final result of equity indexes depended on sectoral and regional composition. Overall, performance was a tale of two halves: in the first half of the year, investors showed an appetite for noncommodity financial assets and the second half saw volatility increase significantly.

In the US, the major stock indexes ended without significant changes - the S&P 500 closed with a slight decrease of 0.73% and the Dow Jones fell by 2.23%. Closer inspection of the composition of the index though shows that the sharp falls in the energy and materials sectors were offset by the performance of large technology companies, such as Facebook, Amazon, Netflix and Google, some of which increased by more than 100%. On the operational side, corporate profits continued to be restrained by the appreciation of the dollar against other currencies. High levels of cash and lack of visibility regarding business projects though enabled companies to again announce record figures in terms of shareholder remuneration.

In Europe, tailwinds blew again in favour of corporate profits due to currency depreciation, falling energy prices and reduced financing costs. To all of the above was added the ECB's expansionary monetary policy, which provided an incentive for valuations. In this environment, the Eurostoxx 50 rose by 4.5% and the Italian FTSE MIB index was the best performing with a rise of 12.66%. The DAX and the CAC 40 closed with gains of 9.56% and 8.53% respectively, while the IBEX 35, penalised by its exposure to the banking sector and Latin America, fell by 7.15% in 2015. As in the American case, the falls experienced by the energy and materials sectors were offset by increases in consumer sectors (discretionary and basic), health and technology.

The measures announced by the ECB had the immediate aim of injecting liquidity, reducing funding costs and increasing lending in the real economy to eventually boost growth and raise inflation expectations in the eurozone.



Despite being a year with less geopolitical news, the stock indexes of emerging markets again reflected the slowdown in corporate profits and sharp declines in commodity prices, closing the year with a fall of 16.96 % measured in US dollars. The epicentre was again China, whose stock market performance was turbulent, despite closing with moderate losses of 2.31% for the Shanghai index. After obtaining profits in the previous year of more than 50%, the index rose by almost 100% by mid-June, and then corrected to previous levels. This fluctuation spread to other emerging stock markets and increased the risk aversion of investors, especially towards those with greater commercial ties to the Chinese economy and its role as importer of raw materials. Currencies, as happened with equity indexes, depreciated across the board as a result of investment outflow.

Finally, raw materials continued their 2014 evolution with further falls in reference prices. The dollar, the base currency for raw material prices, appreciated against the currency basket (9.26%, preceded by an appreciation of 12.79% in 2014) and pushed prices back down through significant increases in supply without there being support from demand.



7.2

THE SPANISH FINANCIAL SYSTEM

7.2.1 BANKING UNION PROCESS REGULATORY FRAMEWORK

The establishing of the European Banking Union involves pooling significant parcels of national economic sovereignty and constitutes the most important step forward in the economic integration of the EU since the adoption of the euro as the common currency.

The project was conceived with the primary aim of creating an integrated regulatory framework to ensure the viability of the sector and financial stability; it ensures the security and soundness of the banking system; and standardises the requirements and treatment of banks regardless of their location, separating the link between sovereign and bank risk.

Banking union is based on three main pillars: the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism (SRM) and a system of deposit guarantee funds.

2015 was the first full year in which the SSM was in operation. This mechanism promotes a single regulatory code as a basis for the prudential supervision of credit institutions with the aim of strengthening the eurozone's banking system. Supervision is provided by the European Central Bank (ECB). This prudential supervision, based on assessment of various banking business risks, ensures that EU policy is applied consistently and effectively, using a methodology that quantifies the capital and liquidity needs of each financial institution based on the results of periodic assessments.

Banking Union

EMU countries + **EU** countries (optionally)

SSM

SRM

SINGLE SUPERVISORY MECHANISM

ECB supranational activity

Start: 4 November 2014

SINGLE RESOLUTION MECHANISM

Single Resolution Board (Start: 2015)

Single Resolution Fund (Start: 2016)

SINGLE REGULATORY CODE IN THE EU, which includes

Capital Requirements Directive (CRR/CRD IV)
Bank Recovery and Resolution Directive (BRRD)
Deposit Guarantee Schemes Directive

FSM

EUROPEAN STABILITY
MECHANISM

Direct recapitalisation

OTHER INSTRUMENTS Loans

Purchases in primary/secondary markets

Preventative financial assistance Bank recapitalisation assistance



SSM supervised entities

4,700

In fulfilling its mission, the SSM permanently ensures that the strictest standards and uniformity of supervision are maintained. The reference parameters applied by the SSM are international standards and the best practices. The Basel Committee's Core Principles for Effective Banking Supervision and the rules of the European Banking Association (EBA) represent a solid foundation for the regulation, supervision, governance and risk management of the banking sector.

The SSM is responsible for overseeing approximately 4,700 entities in the participating Member States. To ensure effective supervision, the respective roles and responsibilities of the ECB and national central banks are allocated in accordance with the significance of the supervised entities.

The second major pillar of European Banking Union, the Single Resolution Mechanism (SRM), continues to be shaped. The SRM establishes a framework for the recovery and resolution of credit institutions, as well as liabilities subject to recognition of losses. The SRM became operational on 1 January 2016.

The SRM will ensure that, when a bank supervised by the SSM enters into difficulties, the resolution policy is effective, regardless of the geographical location of the entity, and minimises tax costs. It is an integrated system of national resolution authorities led by the Single Resolution Board as the European authority. This new agency will ensure the uniform application of the EU's common resolution standards contained in the new Bank Recovery

and Resolution Directive (BRRD), which defines the distribution of losses among shareholders and other creditors of the financial institution.

Also created will be a Single Resolution Fund, under the control of the Board, which, in the medium term, will act as financial support when failing entities cannot fulfil their financial needs, provided that the shareholders and creditors have assumed the losses, as provided by the BRRD. The Directive particularly states that the credit institution that is subject to resolution must use at least 8% of its total liabilities to absorb the capital shortfall before resorting to the funding mechanism.

The operation of the Fund is governed by an intergovernmental agreement that Banking Union member countries reached in 2014. The fund will be provisioned with contributions from the banking industry over eight years, and is expected to reach a value of 55 billion euros. National contributions to the Fund will gradually merge and, after the transitional period of eight years has elapsed, the financial support scheme will lose its national character. If necessary though, the Fund can receive financial support from public resources, which must be subsequently replenished with contributions from the industry, in order to guarantee the medium-term tax neutrality of the scheme.

The final pillar of Banking Union is the introduction of a European dimension to national deposit guarantee funds for banks under European supervision, evolving in the long term into a single European guarantee fund. To that end, the

European Commission in November 2015 published a proposal for the creation of a European deposit guarantee system to be implemented in the next 10 years and in three different stages. The first stage of the proposal would be to strengthen national deposit guarantee systems and include the possibility of limited use of European funds. This stage would be implemented by 2020. The second stage would involve switching to a "co-insurance" system in which the use of European funds in national systems would increase. The system would begin with 20% of the European deposit guarantee fund and would gradually increase until 2024, the year in which the third stage would start with a 100% European deposit guarantee system.

7.2.2 EVOLUTION OF THE BUSINESS OF THE FINANCIAL SYSTEM

Regarding sources of retail financing, the only categories that grew in 2015 were public enterprise deposits and private residential sector deposits, which grew at rates of 1.60%, remaining almost stable, and were characterised by increased switching from term deposits to demand deposits (+15.6%).

Wholesale financing reduced by 13.7% compared to 2014 as a result of drops in almost all funding sources. Growth was only observed in subordinated liabilities because of their association with new loss absorption ratios.

The total balance, on an individual basis, of all deposit institutions was 2.645 billion euros at the end of 2015. The year saw contraction of 4.8% mainly as a result of a reduction in fixed income portfolios (-15.2% year-on-year) as banks unravelled positions and realised capital gains.

In terms of credit, particularly noteworthy was decreased lending to public authorities as a result of the process of fiscal consolidation of the public sector and, especially, the drop in credit to the private residential sector (-3.8%) in all segments, except in consumption because of the process of deleveraging of households and companies, as well as a clear replacement of bank debt with market issues, especially in larger companies.

The following table shows a breakdown of lending to the private sector by segment (2010-2015).

Breakdown of lending to the private residential sector

SEGMENT	2011	2012	2013	2014	2015
Companies (non construction)	574	529	482	474	465
Companies (non-construction)	-1.5%	-7.8%	-9.0%	-1.6%	-1.9%
Households housing	656	633	604	579	552
Households: housing	-0.9%	-3.5%	-4.6%	-4.1%	-4.7%
Households, consumption	137	123	111	110	112
Households: consumption	-8.7%	-10.5%	-9.8%	-0.2%	1.1%
Dranath, day alapment and construction	397	300	237	200	179
Property development and construction	-7.8%	-24.3%	-21.1%	-15.5%	-10.5%
Total lending to the private residential sector	1,782	1,604	1,448	1,380	1,327
	-3.3%	-10.0%	-9.7%	-4.7%	-3.8%

In thousands of millions of euros. Annual variation (%)

Source: Bank of Spain



10.20%

Regarding the price of new credit granted in 2015, except in consumption, in the remaining segments, not all of the factors of production incurred when granting a loan would be being covered. The environment of zero interest rates and high competition is leading banks to apply very low rates, which is having a negative impact on interest margins, since financing costs have a lower downward margin.

With regard to credit quality, the balance of doubtful debts fell by 22.4% in 2015, with declines in all segments mainly due to lower entry into default and the sale of defaulted debt portfolios. As a result, the default rate reduced by 240 basis points in the year, closing at 10.20%, although with major differences between the different segments as reflected in the chart below.

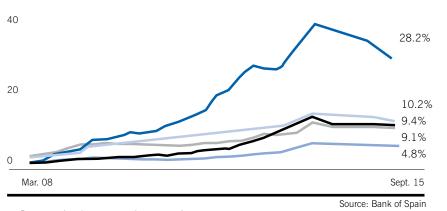
BUSINESS RESULTS AND CAPITAL POSITION

The sector recorded a net profit of 9.3 billion euros in 2015, 17.9% less than the previous year basically due to lower revenue generation.

The interest margin fell by 1.6% year-onyear due to a greater reduction of financial income (11.3 billion euros) than financial costs (10.6 billion euros).

Gross margin, in turn, lost 3.9 billion euros, mainly eroded by a fall of 26.8% in trading results. Meanwhile, net fees remained stable. Particularly noteworthy was an increase in fees earned through the marketing of products.

Evolution of the default rate by segment



- Property development and construction
- Companies
- Mortgage
- Consumption
- Total default rate

Operating expenses remained stable despite capacity adjustments and structural changes. 896 branches were closed in 2015, leaving a total of 30,921. In contrast, 2015 saw increased costs associated with the implementation by financial institutions of digital systems.

Impairment losses continued to improve their contribution to the income statement, reducing by 9.8% compared to 2014 and showing certain signs of normalisation.

The sector's aggregate ROE did however experience a 4.3% decline.



Main financial indicators of the Spanish banking system

SEGMENT		2014	2015
Datuma	ROA (%)	0.46	0.39
Return	ROE (%)	5.15	4.29
Efficiency	Recurring efficiency (%)	68.1	69.8
Efficiency	Ordinary efficiency (%)	47.1	51.0
Accet quality	Default rate – other residential sectors (%)	12.6	10.2
Asset quality	Cost of risk (%)	0.57	0.53
	Credit / Deposits (%)	126.4	119.4
Liquidity	Fixed income / Asset (%)	16.9	15.1
	Interbank liabilities / assets (%)	9.9%	10.4
Calvanav	CET1 (%)	11.8	12.4*
Solvency	Solvency (%)	13.6	14.3*

^{*} Data as of June 2015

Source: AFI

08
FINANCIAL STATEMENTS



BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 2014

ASSETS	2015	2014
1. Cash and balances with central banks	18,371	22,862
2. Trading portfolio	30,441	53,35
2.1. Deposits with credit institutions	-	
2.2. Customer loans	-	
2.3. Debt securities	30,158	52,38
2.4. Equity instruments	283	978
2.5. Trading derivatives	-	
Memorandum item: loaned or advanced as collateral	-	
3. Other financial assets at fair value with changes in P and L	-	
3.1. Deposits with credit institutions	-	
3.2. Customer loans	-	
3.3. Debt securities	-	
3.4. Equity instruments	-	
Memorandum item: loaned or advanced as collateral	-	
4. Financial assets available for sale	552,219	822,682
4.1. Debt securities	539,183	809,492
4.2. Equity instruments	13,036	13,190
Memorandum item: loaned or advanced as collateral	81,835	156,099
5. Loans and receivables	1,471,798	1,433,02
5.1. Deposits with credit institutions	32,602	24,139
5.2. Customer loans	1,426,582	1,393,241
5.3. Debt securities	12,614	15,64
Memorandum item: loaned or advanced as collateral	12,445	8,638
6. Maturity investment portfolio	83,338	73,622
Memorandum item: loaned or advanced as collateral	10,024	
7. Adjustments to financial assets for macro-hedging	-	
8. Hedging derivatives	421	2,050
9. Non-current assets held for sale	1,010	777
10. Shareholdings	14,153	14,153
10.1. Associates	3,177	3,177
10.2. Jointly-controlled entities	-	•
10.3. Group entities	10,976	10,976
11. Insurance contracts linked to pensions	-	,
13. Tangible asset	22,755	20,941
13.1. Tangible fixed assets	22,755	20,941
13.1.1. For own use	19,483	17,830
13.1.2. Leased out under operating leases	3.272	3,11
13.1.3. Assigned to welfare projects	-	0,11
13.2. Real estate investments	_	
Memorandum item: acquired under finance leases	_	
14. Intangible asset	11,521	10,197
14.1. Goodwill		
14.2. Other intangible assets	11,521	10,197
15. Tax assets	11,094	10,047
15.1. Current	137	135
15.2. Deferred	10,957	9,912
16. Other assets	6,662	8,528
TOTAL ASSETS	2,223,783	2,472,239
Memorandum item	2,223,703	2,7/2,23
1. Contingent liabilities	213,407	314,85
2. Contingent commitments	142,761	144,454

LIABILITIES	2015	2014
1. Trading portfolio	463	2,061
1.1. Deposits from central banks	-	-
1.2. Deposits from credit institutions	-	-
1.3. Customer deposits	-	-
1.4. Marketable debt securities	-	
1.5. Trading derivatives	463	2,061
1.6. Short positions	-	-
1.7. Other financial liabilities	-	-
2. Other financial liabilities at fair value with changes in P and L	-	
2.1. Deposits from central banks	-	-
2.2. Deposits from credit institutions	-	-
2.3. Customer deposits	-	
2.4. Marketable debt securities	-	
2.5. Subordinated liabilities	-	
2.6. Other financial liabilities	-	
3. Financial liabilities at amortised cost	2,038,638	2,282,942
3.1. Deposits from central banks	68,045	402,129
3.2. Deposits from credit institutions	46,999	40,888
3.3. Customer deposits	1,905,315	1,822,030
3.4. Marketable debt securities	-	1,022,000
3.5. Subordinated liabilities	_	
3.6. Other financial liabilities	18.279	17,895
4. Adjustments to financial liabilities for macro-hedging	10,273	17,030
5. Hedging derivatives	-	
6. Liabilities associated with non-current assets held for sale		•
8. Reserves	340	417
8.1. Fund for pensions and similar obligations	340	41/
		-
8.2. Provisions for taxes and other legal contingencies	- 88	110
8.3. Provisions for contingent risks and commitments	252	110 307
8.4. Other provisions		
9. Tax liabilities	10,109	12,198
9.1. Current	765	10 107
9.2. Deferred	9,344	12,197
10. Fund for welfare projects	95	68
11. Other liabilities	7,072	7,034
12. Capital repayable on demand	-	
TOTAL LIABILITIES	2,056,717	2,304,720
1. Shareholders' equity	141,982	133,709
1.1. Endowment fund	69,362	67,498
1.1.1. Subscribed capital	69,362	67,498
1.1.2. Less: uncalled capital	-	
1.2. Issue premium	-	
1.3. Reserves	62,937	57,490
1.4. Other equity instruments	-	
1.4.1. Of compound financial instruments	-	
1.4.2. Non-voting equity units and associated funds	-	
1.4.3. Other equity instruments	-	
1.5. Less: own securities	-	
1.6. Result for the financial year	9,683	8,721
1.7. Less: dividends and remunerations	-	
2. Valuation adjustments	25,084	33,810
2.1. Financial assets available for sale	25,076	33,797
2.2. Cash flow hedges	20,0,0	
2.3. Hedges of net investments in foreign operations	-	
2.4. Exchange differences	8	13
2.5. Non-current assets held for sale	5	
2.6. Rest of valuation adjustments		<u>-</u>
OTAL EQUITY	167,066	167,519
TOTAL LIABILITIES AND EQUITY	2,223,783	2,472,23

Thousands of euros

PROFIT AND LOSS ACCOUNTS OF THE YEARS 2015 AND 2014

	2015	2014
1. Interest and similar income	45,699	52,188
2. Interest and similar charges	-11,130	-17,723
3. Remuneration of capital repayable on demand	-	-
A) NET INTEREST INCOME	34,569	34,465
5. Return on equity instruments	157	112
6. Fee and commission income	21,984	20,657
7. Commissions paid	-1,916	-2,232
8. Gains/Losses on financial assets and liabilities (net)	7,545	8,780
8.1. Trading portfolio	1,385	1,969
8.2. Other financial instruments at fair value through profit or loss	-	-
8.3. Financial instruments not measured at fair value through P and L	6,176	7,150
8.4. Others	-16	-339
9. Exchange differences (net)	131	44
10. Other operating income	1,076	1,010
11. Other operating expenses	-2,958	-3,376
B) GROSS MARGIN	60,588	59,460
12. Administrative expenses	-38,388	-34,536
12.1. Personnel expenses	-22,980	-20,340
12.2. Other general administrative expenses	-15,408	-14,196
13. Amortisation	-4,915	-4,134
14. Allocations to provisions (net)	-57	900
15. Impairment losses on financial assets (net)	-5,715	-10,609
15.1. Loans and receivables	-5,702	-10,658
15.2. Financial instruments not measured at fair value through P and L	-13	49
C) OPERATING INCOME	11,513	11,081
16. Impairment losses on other assets (net)	-3	-
16.1. Goodwill and other intangible assets	-	-
16.2. Other assets	-3	-
17. Gains/(Losses) on disposal of assets not classified as non-current assets held for sale	-	-
18. Negative difference in combined businesses	-	-
19. Gains/(Losses) on non-current assets held for sale not classified as discontinued operations	218	-53
D) PRE-TAX PROFIT	11,728	11,028
20. Profit tax	-1,311	-1,634
21. Mandatory allocation to charitable work and funds	-734	-673
E) EARNINGS FROM CONTINUING OPERATIONS	9,683	8,721
22. Profit from discontinued operations (net)	-	-
F) CONSOLIDATED YEAR'S RESULTS	9,683	8,721

Thousands of euros

The figures for 2014 are presented solely for comparison purposes.

STATEMENTS OF CONSOLIDATED RECOGNISED INCOME AND EXPENSE FOR THE YEARS 2015 AND 2014

	2015	2014
A) CONSOLIDATED YEAR'S RESULTS	9,683	8,72
3) OTHER RECOGNISED INCOME AND EXPENSES	-8,619	16,26
Items that will not be reclassified to results	107	14
Actuarial gains/(losses) on defined benefit pension plans	144	18
Non-current assets held for sale	-	
Income tax relating to items that will not be reclassified to results	-37	-4
Items that may be reclassified to results	-8,726	16,12
1. Financial assets available for sale	-11,665	21,48
1.1. Valuation gains/(losses)	-6,129	27,99
1.2. Amounts transferred to the profit and loss account	-5,536	-6,50
1.3. Other reclassifications	-	
2. Cash flow hedges	-	
2.1. Valuation gains/(losses)	-	
2.2. Amounts transferred to the profit and loss account	-	
2.3. Amounts transferred to initial value of hedged items	-	
2.4. Other reclassifications	-	
3. Hedges of net investments in foreign operations	-	
3.1. Valuation gains/(losses)	-	
3.2. Amounts transferred to the profit and loss account	-	
3.3. Other reclassifications	-	
4. Exchange differences	-6	1
4.1. Valuation gains/(losses)	-6	1
4.2. Amounts transferred to the profit and loss account	-	
4.3. Other reclassifications	-	
5. Non-current assets held for sale	-	
5.1. Valuation gains/(losses)	-	
5.2. Amounts transferred to the profit and loss account	-	
5.3. Other reclassifications	-	
8. Rest of recognised income and expense	-	
9. Profit tax	2,945	-5,38
C) TOTAL RECOGNISED INCOME AND EXPENSES (A+B)	1,064	24,98

Thousands of euros

The figures for 2014 are presented solely for comparison purposes.

TOTAL CHANGES IN EQUITY CONSOLIDATED AS OF 31 DECEMBER 2015 AND 2014

	Endowment fund	Reserves	Other equity instruments
1. Closing balance as of 31 December 2014	67,498	57,490	
1.1. Adjustments due to changes in accounting criteria	-	-	-
1.2. Adjustments due to errors	-	-	-
2. Adjusted opening balance	67,498	57,490	-
3. Total recognised income and expenses		107	-
4. Other equity variations	1,864	5,340	-
4.1. Increases in the endowment fund	1,864	-723	-
4.2. Reductions of the endowment fund	-	-	-
4.3. Conversion of financial liabilities into capital	-	-	-
4.4. Increases in other capital instruments	-	-	-
4.5. Reclassification of financial liabilities to other capital instruments	-	-	-
4.6. Reclassification of other capital instruments to financial liabilities	-	-	-
4.7. Distribution of dividends/Remuneration to members	-	-	-
4.8. Transactions with equity instruments (net)	-	-	-
4.9. Transfers between equity items	-	6,055	-
4.10. Increases/(Reductions) for combined businesses	-	, -	-
4.11. Discretionary allocation to charitable work and funds	-	-	-
4.12. Payments with capital instruments	_	_	-
4.13. Other increases/(decreases) in equity	-	8	-
5. Closing balance as of 31 December 2015	69,362	62,937	_
1. Closing balance as of 31 December 2013	65,866	56,825	
1.1. Adjustments due to changes in accounting criteria	-	-1,713	-
1.2. Adjustments due to errors	-	-	-
2. Adjusted opening balance	65,866	55,112	
3. Total recognised income and expenses	-	141	
4. Other equity variations	1,632	2,237	-
4.1. Increases in the endowment fund	1,632	-1,063	-
4.2. Reductions of the endowment fund	-	-	-
4.3. Conversion of financial liabilities into capital	-	-	-
4.4. Increases in other capital instruments	-	-	-
4.5. Reclassification of financial liabilities to other capital instruments	-	-	-
4.6. Reclassification of other capital instruments to financial liabilities	-	-	-
4.7. Distribution of dividends/Remuneration to members	-	-	-
4.8. Transactions with equity instruments (net)	-	<u> </u>	-
4.9. Transfers between equity items	-	3,307	-
4.10. Increases/(Reductions) for combined businesses	-	-	-
4.11. Discretionary allocation to charitable work and funds	-	-	-
4.12. Payments with capital instruments	-	-	-
4.13. Other increases/(decreases) in equity	=	-7	-
5. Closing balance as of 31 December 2014	67,498	57,490	_

Result for the financial year	Less: dividends and remunerations	Total shareholders' equity	Valuation adjustments	TOTAL EQUITY
8,721	•	133,709	33,810	167,519
-	-	-	-	-
-	-	-	-	-
8,721	-	133,709	33,810	167,519
9,683	-	9,790	-8,726	1,064
-8,721	-	-1,517	-	-1,517
-	-	1,141	-	1,141
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-2,666	-	-2,666	-	-2,666
-	-	-	-	-
-6,055	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	8	-	8
9,683		141,982	25,084	167,066
7,882	-	130,573	17,686	148,259
-1,980	-	-3,693	-	-3,693
-	-	-	-	
5,902	-	126,880	17,686	144,566
8,721	-	8,862	16,124	24,986
-5,902	-	-2,033	-	-2,033
-	-	569	-	569
-	-	<u> </u>	-	
-	-	<u> </u>	-	
-	-	<u> </u>	-	
-	-	-	-	
-	-	-	-	
-2,595	-	-2,595	-	-2,595
-	-	<u> </u>	-	
-3,307	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	<u> </u>	
-	-	-7		-7
8,721	_	133,709	33,810	167,519

STATEMENTS OF CONSOLIDATED RECOGNISED INCOME AND EXPENSE FOR THE YEARS 2015 AND 2014

	2015	2014
(A) CASH FLOWS FROM OPERATING ACTIVITIES	16,847	49,075
1. Result for the financial year	9,683	8,721
2. Adjustments to obtain cash flows from operating activities	13,045	2,014
2.1. Amortisation	4,915	4,134
2.2. Other adjustments	8,130	-2,120
3. Net increase/(decrease) in operating assets	241,746	-146,264
3.1. Trading portfolio	23,112	-5,405
3.2. Other financial assets at fair value with changes in P and L	-	-
3.3. Financial assets available for sale	261,717	-151,582
3.4. Loans and receivables	-44,693	10,895
3.5. Other operating assets	1,610	-172
4. Net increase/(decrease) in operating liabilities	-246,329	187,572
4.1. Trading portfolio	-2,788	-3,819
4.2. Other financial liabilities at fair value with changes in P and L	-	-
4.3. Financial liabilities at amortised cost	-244,304	191,391
4.4. Other operating liabilities	763	-
5. Collections/(Payments) for profit tax	-1,298	-2,968
(B) CASH FLOWS FROM INVESTING ACTIVITIES	-19,814	-36,465
6. Payments	-21,746	-44,560
6.1. Tangible assets	-3,220	-5,914
6.2. Intangible asset	-4,836	-4,502
6.3. Shareholdings	-	-
6.4. Subsidiaries and other business units	-	-
6.5. Non-current assets and liabilities associated for sale	-220	-68
6.6. Maturity investment portfolio	-9,572	-30,107
6.7. Other payments related to investing activities	-3,898	-3,969
7. Collections	1,932	8,095
7.1. Tangible assets	-	-
7.2. Intangible asset	-	-
7.3. Shareholdings	1	-
7.4. Subsidiaries and other business units	-	-
7.5. Non-current assets and liabilities associated for sale	-	-
7.6. Maturity investment portfolio	-	-
7.7. Other collections related to investing activities	1,931	8,095

	2015	2014
(C) CASH FLOWS FROM FINANCING ACTIVITIES	-1,525	-2,026
8. Payments	-2,666	-2,595
8.1. Dividends	-2,666	-2,595
8.2. Subordinated liabilities	-	-
8.3. Amortisation of equity instruments	-	-
8.4. Acquisition of equity instruments	-	-
8.5. Other payments related to funding activities	-	-
9. Collections	1,141	569
9.1. Subordinated liabilities	-	-
9.2. Issuance of equity instruments	1,141	569
9.3. Disposal of equity instruments	-	-
9.4. Other collections related to funding activities	-	-
(D) EFFECT OF VARIATIONS IN EXCHANGE RATES	-	-
(E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A $+$ B $+$ C $+$ D)	-4,492	10,584
(F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,862	12,278
(G) CASH AND CASH EQUIVALENTS AT YEAR END	18,370	22,862
Memorandum item		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR END		
1.1. Cash	4,964	5,216
1.2. Balances equivalent to cash at central banks	13,406	17,646
1.3. Other financial assets	-	-
1.4. Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END	18,370	22,862

Thousands of euros
The figures for 2014 are presented solely for comparison purposes.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 2014

ASSETS	2015	2014
1. Cash and balances with central banks	18,371	22,862
2. Trading portfolio	30,454	53,365
2.1. Deposits with credit institutions	-	-
2.2. Customer loans	-	-
2.3. Debt securities	30,158	52,381
2.4. Equity instruments	283	978
2.5. Trading derivatives	13	6
Memorandum item: loaned or advanced as collateral	-	
3. Other financial assets at fair value with changes in P and L	2,070	752
3.1. Deposits with credit institutions	1,457	752
3.2. Customer loans	-	-
3.3. Debt securities		-
3.4. Equity instruments	613	-
Memorandum item: loaned or advanced as collateral	700.550	
4. Financial assets available for sale	703,650	961,092
4.1. Debt securities	685,358	943,094
4.2. Other equity instruments	18,292	17,998
Memorandum item: loaned or advanced as collateral	81,835	156,099
5. Loans and receivables	1,474,244	1,430,992
5.1. Deposits with credit institutions	32,949	24,445
5.2. Customer loans	1,428,681	1,390,906
5.3. Debt securities	12,614	15,641
Memorandum item: loaned or advanced as collateral	12,445	8,638
6. Maturity investment portfolio	83,338	73,622
Memorandum item: loaned or advanced as collateral	10,024	
7. Adjustments to financial assets for macro-hedging	421	2.051
8. Hedging derivatives		2,051 777
9. Non-current assets held for sale	1,010	
10. Shareholdings 10.1. Associates	3,846 3,846	3,835 3,835
10.2. Jointly-controlled entities	3,640	3,033
11. Insurance contracts linked to pensions	-	
12. Reinsurance assets	336	173
13. Tangible asset	22.077	20.271
13.1. Tangible assets	22,077	20,271
13.1.1. For own use	20,113	20,271
13.1.2. Leased out under operating leases	1,964	20,271
13.1.3. Assigned to welfare projects	1,904	
13.2. Real estate investments		
Memorandum item: acquired under finance leases	-	
14. Intangible asset	12,136	10,501
14.1. Goodwill	12,130	10,501
14.2. Other intangible assets	12,136	10,501
15. Tax assets	11,506	10,192
15.1. Current	374	177
15.2. Deferred	11,132	10,015
16. Other assets	3,910	8,658
16.1. Inventories	3,310	
16.2. Others	3,910	8,658
OTAL ASSETS	2,367,369	2,599,143
Memorandum item	2,307,309	2,000,140
1. Contingent liabilities	213,407	314,855
2. Contingent nabilities 2. Contingent commitments	142,761	144,454
2. Contingent communents	172,701	177,737

Thousands of euros

LIABILITIES	2015	2014
1. Trading portfolio	463	2,061
1.1. Deposits from central banks	-	
1.2. Deposits from credit institutions	-	
1.3. Customer deposits	-	
1.4. Marketable debt securities	- 462	- 0.001
1.5. Trading derivatives	463	2,061
1.6. Short positions	-	
1.7. Other financial liabilities	-	
2. Other financial liabilities at fair value with changes in P and L	-	
2.1. Deposits from central banks	-	
2.2. Deposits from credit institutions	-	
2.3. Customer deposits	-	-
2.4. Marketable debt securities	-	-
2.5. Subordinated liabilities	-	
2.6. Other financial liabilities	-	
3. Financial liabilities at amortised cost	2,001,489	2,227,528
3.1. Deposits from central banks	68,045	402,129
3.2. Deposits from credit institutions	46,999	40,888
3.3. Customer deposits	1,867,562	1,765,592
3.4. Marketable debt securities	-	-
3.5. Subordinated liabilities	-	-
3.6. Other financial liabilities	18,883	18,919
4. Adjustments to financial liabilities for macro-hedging	-	-
5. Hedging derivatives	-	
6. Liabilities associated with non-current assets held for sale	-	
7. Insurance contract liabilities	157,468	159,460
8. Reserves	341	417
8.1. Fund for pensions and similar obligations	-	_
8.2. Provisions for taxes and other legal contingencies	1	
8.3. Provisions for contingent risks and commitments	88	110
8.4. Other provisions	252	307
9. Tax liabilities	12.607	15,488
9.1. Current	765	54
9.2. Deferred	11,842	15,434
10. Fund for welfare projects	5,065	4,817
11. Other liabilities	8,905	8,874
12. Capital repayable on demand		
OTAL LIABILITIES	2,186,338	2,418,645
1. Shareholders' equity	146,854	136,639
1.1. Endowment fund	69,362	67,498
1.1.1. capital	69,362	67,498
1.1.2. Less: uncalled capital	-	-
1.2. Issue premium	-	
1.3. Reserves	70,096	62,805
1.3.1. Accumulated reserves / (losses)	70,091	62,800
1.3.2. Reserves/(Losses) of entities accounted for using the equity method	5	5
1.4. Other equity instruments	_	
1.4.1. Of compound financial instruments	_	
1.4.2. Non-voting equity units and associated funds	_	
1.4.3. Other equity instruments		
1.5. Less: own securities	-4,256	-4,211
1.6. Income for the year attributed to the parent company	11,652	10,547
1.7. Less: dividends and remunerations	11,032	10,547
2. Valuation adjustments	32,833	42.654
2.1. Financial assets available for sale	32,303	42,062
2.2. Cash flow hedges 2.3. Hedges of net investments in foreign operations	+	-
	- 0	1 1
2.4. Exchange differences	8	13
2.5. Non-current assets held for sale		
2.6. Entition apparented for using the equity restless.	522	579
2.6. Entities accounted for using the equity method		
2.7. Rest of valuation adjustments	_	
2.7. Rest of valuation adjustments 3. Minority interests	1,344	
2.7. Rest of valuation adjustments 3. Minority interests 3.1. Valuation adjustments	1,344 47	35
2.7. Rest of valuation adjustments 3. Minority interests 3.1. Valuation adjustments 3.2. Rest	1,344 47 1,297	35 1,170
2.7. Rest of valuation adjustments 3. Minority interests 3.1. Valuation adjustments	1,344 47	1,205 35 1,170 180,498 2,599,143

Thousands of euros

The figures for 2014 are presented solely for comparison purposes.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS 2015 AND 2014

	0017	
	2015	2014
1. Interest and similar income	50,004	56,848
2. Interest and similar charges	-10,493	-16,428
3. Remuneration of capital repayable on demand	-	-
A) NET INTEREST INCOME	39,511	40,420
4. Return on equity instruments	83	52
5. Income of entities accounted for using the equity method	143	75
6. Fee and commission income	22,856	21,408
7. Commissions paid	-1,753	-1,877
8. Gains/Losses on financial assets and liabilities (net)	7,741	9,068
8.1. Trading portfolio	1,385	1,969
8.2. Other financial instruments at fair value through profit or loss 8.3. Financial instruments not measured at fair value through P and L	6,259	92 7,355
8.4. Others	-16	-348
9. Exchange differences (net)	131	44
10. Other operating income	52,615	27,240
10.1. Revenues from insurance and reinsurance contracts issued	52,031	26,601
10.2. Sales and revenues from rendering of non-financial services	32,031	35
10.3. Other operating income	547	604
11. Other operating expenses	-55,003	-31,319
11.1. Insurance and reinsurance contract expenses	-52,025	-27,923
11.2. Changes in inventories	-	-
11.3. Other operating expenses	-2,978	-3,396
B) GROSS MARGIN	66,324	65,111
12. Administrative expenses	-41,337	-37,525
12.1. Personnel expenses	-25,026	-22,277
12.2. Other general administrative expenses	-16,311	-15,248
13. Amortisation	-5,099	-4,291
14. Allocations to provisions (net)	-57	900
15. Impairment losses on financial assets (net)	-5,763	-10,610
15.1. Loans and receivables	-5,702	-10,658
15.2. Financial instruments not measured at fair value through P and L	-61	48
C) OPERATING INCOME	14,068	13,585
16. Impairment losses on other assets (net)	-3	13,363
16.1. Goodwill and other intangible assets	-5	
16.2. Other assets	-3	
17 Gains/(Losses) on disposal of assets not classified as non-current assets held for sale	-	1
18. Negative difference in combined businesses	-	
	218	-53
19 Gains/(Losses) on non-current assets held for sale not classified as discontinued operations D) PRE-TAX PROFIT		
20. Profit tax	14,283	13,533
21. Mandatory allocation to charitable work and funds	-1,912 -734	-2,333 -673
E) EARNINGS FROM CONTINUING OPERATIONS	11,637	10,527
22. Profit from discontinued operations (net)	11,037	10,527
F) CONSOLIDATED YEAR'S RESULTS	11,637	10,527
F1) Profit attributed to the parent company	11,652	10,527
F2) Profit attributed to minority interests	-15	-20

Thousands of euros

The figures for 2014 are presented solely for comparison purposes.

STATEMENTS OF CONSOLIDATED RECOGNISED INCOME AND EXPENSE FOR THE YEARS 2015 AND 2014

	2015	2014
A) CONSOLIDATED YEAR'S RESULTS	11,637	10,527
B) OTHER RECOGNISED INCOME AND EXPENSES	-9,703	21,279
Items that will not be reclassified to results	107	141
Actuarial gains/(losses) on defined benefit pension plans	144	189
Non-current assets held for sale	-	-
Income tax relating to items that will not be reclassified to results	-37	-48
Items that may be reclassified to results	-9,810	21,138
1. Financial assets available for sale	-13,492	28,023
1.1. Valuation gains/(losses)	-7,939	34,732
1.2. Amounts transferred to the profit and loss account	-5,553	-6,709
1.3. Other reclassifications	-	-
2. Cash flow hedges	-	-
2.1. Valuation gains/(losses)	-	-
2.2. Amounts transferred to the profit and loss account	-	-
2.3. Amounts transferred to initial value of hedged items	-	-
2.4. Other reclassifications	-	-
3. Hedges of net investments in foreign operations	-	-
3.1. Valuation gains/(losses)	-	-
3.2. Amounts transferred to the profit and loss account	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	-6	18
4.1. Valuation gains/(losses)	-6	18
4.2. Amounts transferred to the profit and loss account	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	-	-
5.1. Valuation gains/(losses)	-	-
5.2. Amounts transferred to the profit and loss account	-	-
5.3. Other reclassifications	-	-
7. Entities accounted for using the equity method	-57	209
7.1. Valuation gains/(losses)	-57	209
7.2. Amounts transferred to the profit and loss account	-	-
7.3. Other reclassifications	-	-
8. Rest of recognised income and expense	-	-
9. Profit tax	3,745	-7,112
C) TOTAL RECOGNISED INCOME AND EXPENSES (A+B)	1,934	31,806
C 1) Attributed to the parent company	1,938	31,816
C 2) Attributed to minority interests	-4	-10

TOTAL CHANGES IN EQUITY CONSOLIDATED AS OF 31 DECEMBER 2015 AND 2014

	Endowment fund	Reserves	Less: own securities	
1. Closing balance as of 31 December 2014	67,498	62,805	-4,211	
1.1. Adjustments due to changes in accounting criteria	-	-	-	
1.2. Adjustments due to errors	=	-	-	
2. Adjusted opening balance	67,498	62,805	-4,211	
3. Total recognised income and expenses	-	107	-	
4. Other equity variations	1,864	7,184	-45	
4.1. Increases in the endowment fund	1,864	-723	-	
4.2. Reductions of the endowment fund	-	-	-	
4.3. Conversion of financial liabilities into capital	-	-	-	
4.4. Increases in other capital instruments	-	-	-	
4.5. Reclassification of financial liabilities to other capital instruments	-	-	-	
4.6. Reclassification of other capital instruments to financial liabilities	-	-	-	
4.7. Distribution of dividends/Remuneration to members	-	-	-	
4.8. Transactions with equity instruments (net)	-	-	-	
4.9. Transfers between equity items	-	7,881	-45	
4.10. Increases/(Reductions) for combined businesses	-	-	-	
4.11. Discretionary allocation to charitable work and funds	-	-	-	
4.12. Payments with capital instruments	-	-	-	
4.13. Other increases/(decreases) in equity	-	26	-	
5. Closing balance as of 31 December 2015	69,362	70,096	-4,256	
1. Closing balance as of 31 December 2013	65,866	60,723	-4,144	
1.1. Adjustments due to changes in accounting criteria	-	-1,713	_	
1.2. Adjustments due to errors	-	_	-	
2. Adjusted opening balance	65,866	59,010	-4,144	
3. Total recognised income and expenses	-	141	-	
4. Other equity variations	1,632	3,654	-67	
4.1. Increases in the endowment fund	1,632	-1,063	-	
4.2. Reductions of the endowment fund	-	-	-	
4.3. Conversion of financial liabilities into capital	-	-	-	
4.4. Increases in other capital instruments	-	-	-	
4.5. Reclassification of financial liabilities to other capital instruments	-	-	-	
4.6. Reclassification of other capital instruments to financial liabilities	-	-	-	
4.7. Distribution of dividends/Remuneration to members	-	-	-	
4.8. Transactions with equity instruments (net)	-	-	-	
4.9. Transfers between equity items	-	4,724	-67	
4.10. Increases/(Reductions) for combined businesses	-	-	-	
4.11. Discretionary allocation to charitable work and funds	-	-		
4.12. Payments with capital instruments	-	-	-	
4.13. Other increases/(decreases) in equity		-7		
5. Closing balance as of 31 December 2014	67.498	62,805	-4.211	

Income for the year attributed to the parent company	Less: dividends and remunerations	Total shareholders' equity	Valuation adjustments	Total	Minority interests	Total equity attributed to the parent company
10,547	-	136,639	42,654	179,293	1,205	180,498
-		-		-	-	100,430
_	-			_	_	
10,547	-	136,639	42,654	179,293	1,205	180,498
11,652	<u> </u>	11,759	-9,821	1,938	-4	1,934
-10,547	-	-1,544		-1,544	143	-1,401
-10,547		1,141		1,141	-	1,141
	_	1,171	-	-	_	
	_		-	-	_	
			_	_		
				_		
	-	_		_		
-2,666		-2,666		-2,666		-2,666
-2,000		-2,000		-2,000		-2,000
-7,855		-19		-19	143	124
-7,833		-19	-	-19	- 143	124
	-					
-26	-	-	-			
11,652	-	146,854	32,833	179,687	1,344	181,031
9,266	•	131,711	21,526	153,237	1,114	154,351
-1,980	-	-3,693	21,526	-3,693	- 1,114	-3,693
-1,960	-	-5,095		-5,095		-5,095
7,286		128,018	21,526	149,544	1,114	150,658
	-	10,688			-10	
10,547 -7,286	-	· · · · · · · · · · · · · · · · · · ·	21,128	31,816	101	31,806
-7,200	<u>-</u>	-2,067 569	-	-2,067 569	- 101	-1,966 569
	-	209	-	- 569	-	209
			-			<u> </u>
-	-	-	-	-	-	<u> </u>
-	-		-	-	-	<u> </u>
	=		-		-	<u> </u>
- 0.505	-	- 0.505	-	- 0.505	-	
-2,595	-	-2,595	-	-2,595	-	-2,595
4.601	-	-	-	-	- 101	
-4,691	-	-34	-	-34	101	67
-	-	-	-	-	-	-
-	-	=	-	-	-	-
-	-	-	-	-	-	-
-	-	-7	-	-7	-	-7
10,547	-	136,639	42,654	179,293	1,205	180,498

CONSOLIDATED CASH FLOW STATEMENTS OF THE YEARS 2015 AND 2014

	2015	2014
(A) CASH FLOWS FROM OPERATING ACTIVITIES	14,537	55,224
1. Consolidated year's result	11,637	10,527
2. Adjustments to obtain cash flows from operating activities	-6,158	14,817
2.1. Amortisation	5,099	4,291
2.2. Other adjustments	-11,257	10,526
3. Net increase/(decrease) in operating assets	241,314	-155,784
3.1. Trading portfolio	23,112	-5,406
3.2. Other financial assets at fair value with changes in P and L	-640	
3.3. Financial assets available for sale	267,130	-162,724
3.4. Loans and receivables	-49,167	12,611
3.5. Other operating assets	879	-265
4. Net increase/(decrease) in operating liabilities	-230,820	188,879
4.1. Trading portfolio	-2,789	-3,819
4.2. Other financial liabilities at fair value with changes in P and L	-	
4.3. Financial liabilities at amortised cost	-226,039	192,698
4.4. Other operating liabilities	-1,992	
5. Collections/(Payments) for profit tax	-1,436	-3,215
(B) CASH FLOWS FROM INVESTING ACTIVITIES	-17,504	-42,614
6. Payments	-23,243	-55,854
6.1. Tangible assets	-3,334	-6,085
6.2. Intangible asset	-5,210	-4,374
6.3. Shareholdings	-	
6.4. Subsidiaries and other business units	-	
6.5. Non-current assets and liabilities associated for sale	-220	-68
6.6. Maturity investment portfolio	-9,572	-40,776
6.7. Other payments related to investing activities	-4,907	-4,551
7. Collections	5,739	13,240
7.1. Tangible assets	-	
7.2. Intangible asset	-	
7.3. Shareholdings	-	
7.4. Subsidiaries and other business units	-	
7.5. Non-current assets and liabilities associated for sale	-	
7.6. Maturity investment portfolio	-	
	5,739	13,240

	2015	2014
(C) CASH FLOWS FROM FINANCING ACTIVITIES	-1,525	-2,026
8. Payments	-2,666	-2,595
8.1. Dividends	-2,666	-2,595
8.2. Subordinated liabilities	-	-
8.3. Amortisation of equity instruments	-	-
8.4. Acquisition of equity instruments	-	-
8.5. Other payments related to funding activities	-	-
9. Collections	1,141	569
9.1. Subordinated liabilities	-	-
9.2. Issuance of equity instruments	1,141	569
9.3. Disposal of equity instruments	-	-
9.4. Other collections related to funding activities	-	-
(D) EFFECT OF VARIATIONS IN EXCHANGE RATES	-	-
(E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A $+$ B $+$ C $+$ D)	-4,492	10,584
(F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,862	12,278
(G) CASH AND CASH EQUIVALENTS AT YEAR END	18,370	22,862
Memorandum item		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR END		
1.1. Cash	4,964	5,216
1.2. Balances equivalent to cash at central banks	13,406	17,646
1.3. Other financial assets	-	-
1.4. Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END	18,370	22,862

Thousands of euros

The figures for 2014 are presented solely for comparison purposes.

O9
FINANCIAL REPORT



09 FINANCIAL REPORT

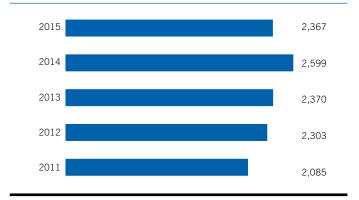
In the 2015 financial year, against an economic backdrop characterised by gradual recovery and with interest rates down to historic lows, the Group continued to increase its profits, strengthen its solvency and increase its membership base, which continues to maintain its confidence in Caja de Ingenieros Group.

9.1
BUSINESS REPORT

9.1.1 ASSETS

The Group's total assets, as of 31 December 2015, stood at 2,367,369 thousands of euros, representing a decrease of 8.92% compared to the end of 2014. The main change related to investments in debt securities, which decreased from 1,084,738 thousands of euros to 811,468 thousands of euros as of 31 December 2014 and 2015, respectively, representing a reduction of 273,270 thousands of euros (-25.19% in relative terms).

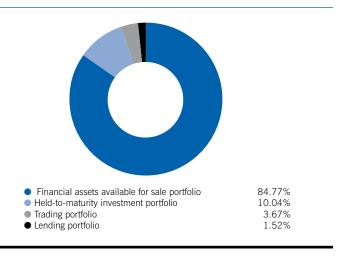
EVOLUTION OF ASSETS (IN MILLIONS OF EUROS)



As a whole, debt securities, other equity instruments and trading derivatives decreased from 1,103,720 thousands of euros to 830,669 thousands of euros as of 31 December 2014 and 31 December 2015 respectively, representing 35.09% of total assets.

An analysis of the main types of portfolios in which these investments are distributed is shown below:

BREAKDOWN OF INVESTMENTS BY PORTFOLIO TYPE



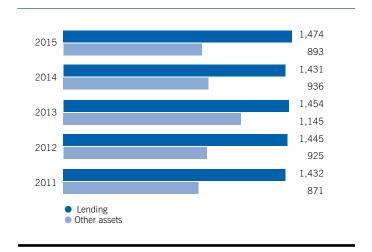
• The trading portfolio includes positions in securities and other financial instruments acquired for trading purposes, standing, as of 31 December 2015, at 30,454 thousands of euros, of which 30,158 thousands of euros was public debt and corporate fixed income, 283 thousands of euros was investment funds and equities, and 13 thousands of euros was trading derivatives. As of 31 December 2014, this portfolio amounted to 53,365 thousands of euros, representing a decrease of 22,911 thousands of euros (-42.93% in relative terms).

- The held-to-maturity investments portfolio, whose basic purpose is to hedge liabilities by matching asset and liability maturities, as of 31 December 2015, stood at 83,338 thousands of euros compared to 73,622 thousands of euros at the end of 2014, representing an increase of 9,716 thousands of euros (13.20% in relative terms). The average IRR for purchasing the assets in this portfolio, as of 31 December 2015, was 0.98%.
- The financial assets available for sale portfolio essentially encompasses positions in fixed-income assets. As of 31 December 2015, this portfolio stood at 703,650 thousands of euros, of which 685,358 thousands of euros was public debt, corporate fixed income and asset-backed bonds and 18,292 thousands of euros was investment funds and equities. As of 31 December 2014, this portfolio amounted to 961,092 thousands of euros, representing a decrease of 257,442 thousands of euros (-26.79% in relative terms).
- Focusing on the debt securities that form part of the lending portfolio, these stood, as of 31 December 2015, at 12,614 thousands of euros, and entirely consisted of mortgage-backed bonds in which the Bank participated as assignor. As of 31 December 2014, this portfolio amounted to 15,641 thousands of euros, representing a decrease of 3,027 thousands of euros (-19.35% in relative terms), resulting from the amortisation of the mortgage-backed bonds that make up this portfolio.

At the end of 2015, lending stood at 1,474,244 thousands of euros, an increase of 3.02% in relative terms compared to the end of the previous financial year, essentially as a result of an increase in lending to customers.

The evolution of the weight of lending compared to other assets in the last five years is shown below:

LENDING COMPARED TO OTHER ASSETS (IN MILLIONS OF EUROS)



total assets

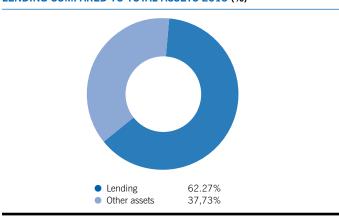
62.27%

lending

In the 2015 financial year, lending represented 62.27% of total

assets.

LENDING COMPARED TO TOTAL ASSETS 2015 (%)



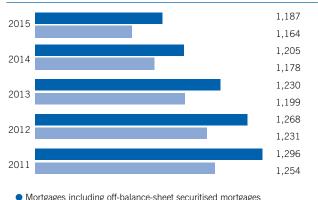
Regarding lending to customers, the main component of the lending portfolio, there was a slight increase over the previous year, reaching a total of 1,428,681 thousands of euros at the end of 2015.

thousands of euros as of 31 December 2015, representing 81.50% of total lending to customers and 49.18% of total assets at that date.

Within lending to customers, mortgages amounted to 1,164,378

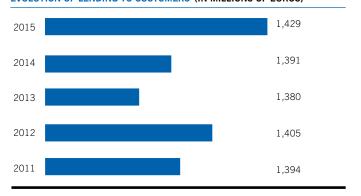
EVOLUTION OF MORTGAGES

(IN MILLIONS OF EUROS)



- Mortgages including off-balance-sheet securitised mortgages
- On-balance-sheet mortgages

EVOLUTION OF LENDING TO CUSTOMERS (IN MILLIONS OF EUROS)



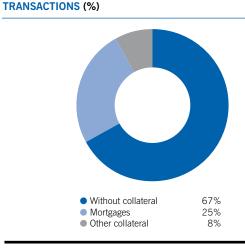
Mortgage loans

81.5%

of lending

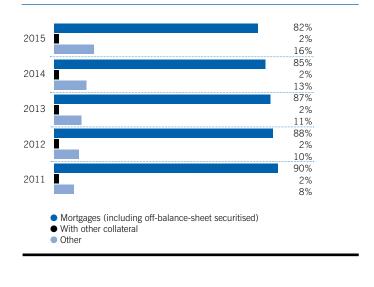
It is worth noting that the number of mortgage loans formalised in the 2015 financial year amounted to 572, with the total amount of new financing standing at 90,882 thousands of euros, representing an increase in mortgage lending of 14.88% over the previous year. In terms of total financing, the number of formalised transactions in the current year stands at 2,295, valued at 177,493 thousands of euros, representing an 18.31% increase over the previous year. These figures are the result of the Bank's commitment to maintaining the flow of financing to members and the economy.

BREAKDOWN OF THE NUMBER OF LOANS AND CREDIT



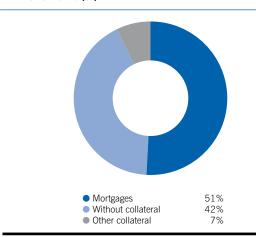
With reference to the evolution of the breakdown of lending to customers, particularly noteworthy is that it remained good quality and was largely supported by collateral, most of which was mortgage-related.

EVOLUTION OF THE BREAKDOWN OF LENDING TO CUSTOMERS WITH NORMAL RISK BY TYPE OF GUARANTEE (%)

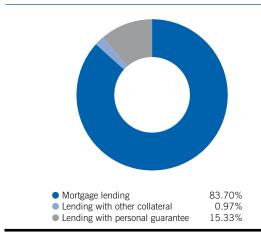


In the case of lending to customers classified as standard risk, collateralised assets amounted to 84.46% of the portfolio, 82.43% of which corresponded to mortgages.

BREAKDOWN OF THE VALUE OF LOANS AND CREDIT TRANSACTIONS (%)



BREAKDOWN OF LENDING TO CUSTOMERS WITH NORMAL RISK BY TYPE OF GUARANTEE (%)



61.22% of mortgages had a Loan to Value (LTV) ratio lower or equal to 80%, taking as a reference for calculation purposes valuations properly updated for 2015.

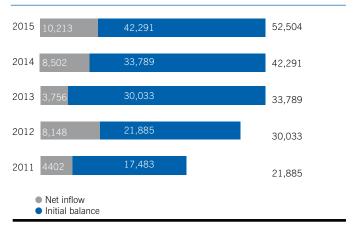
LTV BREAKDOWN OF MORTGAGE LENDING TO HOUSEHOLDS FOR HOME PURCHASES (%)



It is also worth considering the increase in refinancing and restructuring transactions undertaken by the Bank in order to facilitate payment of debts by members, which, at the end of 2015, stood at 37,935 thousands of euros compared to 37,128 thousands of euros reached in the previous year, representing 2.66% of total lending to customers.

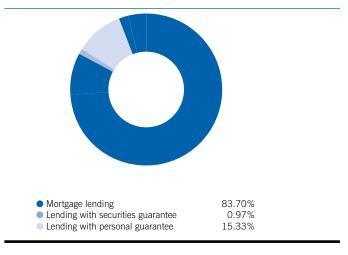
Non-performing assets in the lending portfolio, as of 31 December 2015, stood at 52,504 thousands of euros, broken down as 43,941 thousands of euros in the portfolio of loans and credit transactions with mortgage security and 8,563 thousands of euros relating to other loans and credit transactions. As of 31 December 2014, non-performing assets amounted to 42,291 thousands of euros, which means that during 2015, they increased by 10,213 thousands of euros (24.15% in relative terms).

EVOLUTION OF NON-PERFORMING ASSETS (IN THOUSANDS OF EUROS)



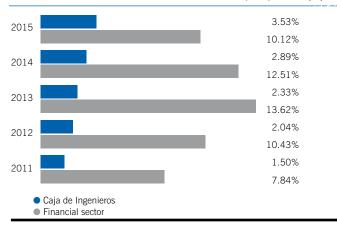
83.70% of non-performing loans, as of 31 December 2015, consisted of transactions with mortgage collateral and 0.97% with other collateral, with only the remaining 15.33% corresponding to loans with personal guarantee.

BREAKDOWN OF DOUBTFUL RISK BY TYPE OF GUARANTEE (%)



Out of the non-performing assets, as of 31 December 2015, 41,645 thousands of euros corresponded to amounts classified as in default and 10,859 thousands of euros related to amounts listed for other reasons (37,285 and 5,006 thousands of euros respectively as of 31 December 2014). The lending portfolio's NPL ratio, as of 31 December 2015, stood at 3.53% compared to 2.89% as of 31 December 2014. Focusing on mortgages, the NPL ratio, as of 31 December 2015, stood at 3.57% compared to 2.83% at the end of 2014. Notably, the Bank kept the NPL ratio substantially below the average for the financial sector, which, at the end of 2015, stood at 10.12%. This evolution is the result of rigorous application of a strict policy on the granting of loans, the quality of assets and their guarantees.

EVOLUTION OF THE NON-PERFORMING LOANS (NPL) RATIO (%)



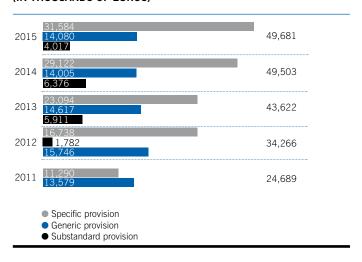
Default ratio

3.53%

compared to 10.12% for the sector

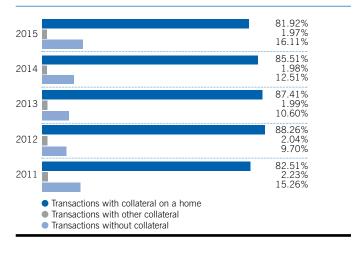
The lending portfolio's provisions increased from 49,503 thousands of euros to 49,681 thousands of euros as of 31 December 2014 and 2015 respectively, based on criteria of maximum prudence in valuation.

EVOLUTION OF THE BREAKDOWN OF PROVISIONS (IN THOUSANDS OF EUROS)

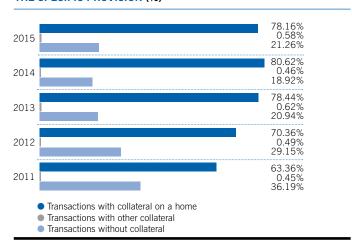


It should be noted that the 81.92%, 78.16% and 84.59% of general provisions, specific provisions and substandard provisions, respectively, covered with mortgage collateral assets.

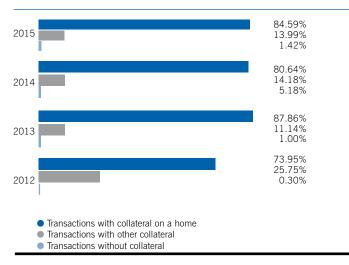
EVOLUTION OF THE BREAKDOWN OF THE GENERIC PROVISION (%)



EVOLUTION OF THE BREAKDOWN OF THE SPECIFIC PROVISION (%)

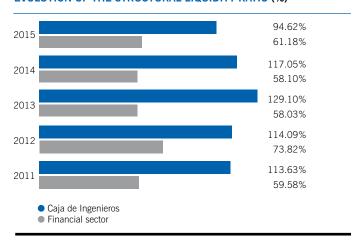


EVOLUTION OF THE BREAKDOWN OF THE SUBSTANDARD PROVISION (%)



The Bank's strict policy on the granting of credit, which involves reducing non-performing loans, combined with the application of criteria of maximum prudence in determining the needs of hedging credit risk, resulted in a high hedge ratio for the impaired lending portfolio, which stood at 94.62% as of 31 December 2015, well above the average for the financial sector, which stood at 61.18% at the end of 2015.

EVOLUTION OF THE STRUCTURAL LIQUIDITY RATIO (%)



Regarding foreclosed assets relating to assets received by the Bank for the payment of debts, the figure stood at 1,010 thousands of euros as of 31 December 2015 compared to 777 thousands of euros at the end of the previous financial year. In addition, the volume of this portfolio, as of 31 December 2015, represented 0.04% of total assets. It should be noted that the management of assets received in payment of debts is undertaken by the Bank itself.

Mortgage securitisation is a process in which a financial institution transfers the mortgage credit rights that it holds in the assets of its balance sheet and transforms them into financial assets tradable in organised markets. It is therefore a financing instrument through which illiquid credit rights are used as a collateral element in order for them to become tradable liquid financial assets.

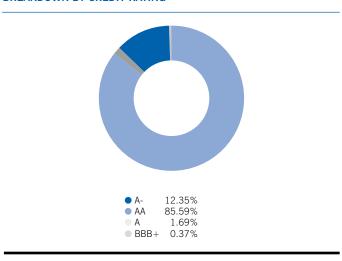
Caja de Ingenieros has participated in five multiseller mortgage securitisation programmes, of which, currently, four of them are still in force with an amount pending amortisation, as of 31 December 2015, of 58,656 thousands of euros compared to an initial amount of 281 million euros.

Additionally, the Bank has undertaken, as sole assignor, two securitisation programmes of mortgage assets, the Caja Ingenieros TDA 1 Asset Securitisation Fund and the Caja Ingenieros AYT 2 Asset Securitisation Fund, for initial amounts of 270 million and

450 million euros respectively. As of 31 December 2015, the amount pending amortisation, added to both securitisations, was 523,637 thousands of euros.

Below is a breakdown by credit rating of the bonds issued¹ by the six previously mentioned asset securitisation programmes that the Bank held in its portfolio as of 31 December 2015, totalling 582,293 thousands of euros.

BREAKDOWN BY CREDIT RATING



See section 9.3. Risk management in this report, in which a comprehensive analysis of the various risks assumed by the Group is carried out.

9.1.2. LIABILITIES AND OTHER MANAGED FUNDS

Turnover

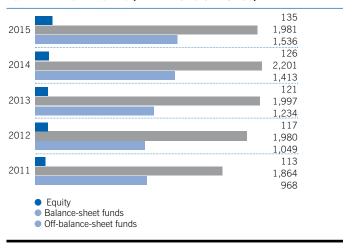
Turnover, defined at management level as the sum of third party managed funds and the gross lending portfolio, amounted to 4,982,277 thousands of euros as of 31 December 2015 compared to 5,049,316 thousands of euros as of 31 December 2014, representing a decrease of 67,039 thousands of euros (-1.33% in relative terms).

Managed funds

Total third party managed funds and equity, as of 31 December 2015, stood at 3,651,843 thousands of euros compared to 3,740,167 thousands of euros as of 31 December 2014, representing a decrease of 88,324 thousands of euros (-2.36% in relative terms).

Below is a breakdown of the managed funds:

TOTAL MANAGED FUNDS (IN MILLIONS OF EUROS)



¹ The assigned rating, following the criteria established in the CRR, is the lowest of the ratings provided by different rating agencies.

	2015	2014	Change (ABS)	Change (%)
Shareholders' equity	135,202	126,092	9,110	7.22
Customer managed funds	3,372,894	3,081.270	291,624	9.46
Other funds managed by third parties	143,747	532,805	-389,058	-73.02
	3,651,843	3,740,167	-88,324	-2.36

In thousands of euros

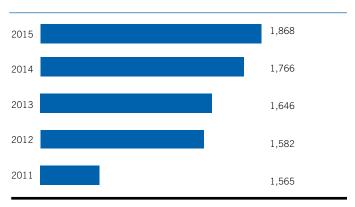
The figure for customer managed funds stood, as of 31 December 2015, at 3,372,894 thousands of euros compared to 3,081,270 thousands of euros as of 31 December 2014, representing an increase of 291,624 thousands of euros (9.46% in relative terms). Specifically, managed-balance-sheet and off-balance-sheet funds increased by 10.11% and 8.71% respectively.

Managed funds from liabilities

The figure for managed funds from liabilities stood, as of 31 December 2015, at 1,980,698 thousands of euros compared to 2,201,152 thousands of euros as of 31 December 2014, representing a decrease of 220,454 thousands of euros (-10.02% in relative terms). Below is an analysis of the main items in managed funds which form part of the customer deposits from liabilities heading.

The figure for customer deposits increased by 101,970 thousands of euros (5.78% in relative terms), standing, as of 31 December 2015, at 1,867,562 thousands of euros compared to 1,765,592 thousands of euros at the end of 2014.

EVOLUTION OF CUSTOMER DEPOSITS (IN MILLIONS OF EUROS)



The composition of customer deposits, according to their nature, had the following breakdown:

	2015	2014	Change (ABS)	Change (%)
Demand deposits	936,899	760,557	176,342	23.19
Term deposits	829,521	864,721	-35,200	-4.07
Repos	98,405	136,293	-37,888	-27.80%
Valuation adjustments	2,737	4,021	-1,284	-31.93
Total customer deposits	1,867,562	1,765,592	101,970	5.78

In thousands of euros

Funding from the European Central Bank stood at 68,045 thousands of euros as of 31 December 2015 compared to 402,129 thousands of euros the previous year, representing an increase of 334,084 thousands of euros (-83.08% in relative terms). The entirety of this funding volume, which matures in September 2018 and is being used for the granting of credit to members, was obtained through the ECB's long-term funding programme (TLTRO).

Finally, it is worth noting that the Group had a structural liquidity ratio of 130.03% at the end of 2015, more than 49 points above the average for the financial sector, a factor that helps it to consolidate its excellent liquidity position and enables it to confront changes in the financial environment, as well as episodes of stress in the financial markets. This optimum liquidity position also enables it to offer a wide range of financing to its members and the economy (see section 9.3.7. Risk management – Structural liquidity risk in this report).

Off-balance-sheet managed funds

The figure for off-balance-sheet managed funds stood at 1,535,943 thousands of euros as of 31 December 2015 compared to 1,412,923

thousands of euros as of 31 December 2014, representing an increase of 8.71% in relative terms. These figures reflect the success of the strategy adopted by the Group to offer members, in a climate of extraordinarily low interest rates, a wide range of investment and insurance services and products, whose tax treatment is more favourable than that of traditional savings products.

The assets of the investment funds managed by Caja de Ingenieros Gestión and sold to third parties increased by 16.79% in relative terms and totalled, at the end of 2015, 584,296 thousands of euros. These figures reflect a growing demand for these types of Group products, given their good performance.

The total assets of the investment funds managed by Caja de Ingenieros Gestión, as of 31 December 2015, amounted to 600,782 thousands of euros compared to 515,691 thousands of euros at the end of the previous year, representing an increase of 16.50% in relative terms.

Below is a breakdown of the investment funds managed by Caja de Ingenieros Gestión by type of fund:

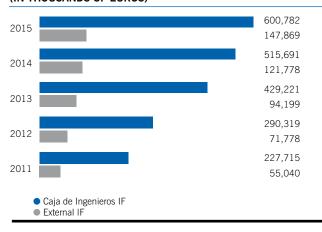
	2015	2014	Change
Equities IF	164,554	121,791	35.11
Mixed equities IF	30,556	21,883	39.63
Mixed fixed-income IF	115,262	70,553	63.37
Fixed-income IF	52,955	23,697	123.46
Guaranteed IF	214,763	262,974	-18.33
Other funds	22,692	14,793	53.40
Total investment funds	600,782	515,691	16.50

In thousands of euros

Regarding the total number of managed investment fund unit-holder accounts, there were 28,096 and 23,354 as of 31 December 2015 and 2014 respectively, representing an increase of 20.30%.

The Group markets investment funds managed by its subsidiary Caja de Ingenieros Gestión and investment funds managed by companies from outside the Group, the former representing 80.25% of total assets marketed as of 31 December 2015. Regarding marketed third-party investment funds, assets, as of the end of 2015, stood at 147,869 thousands of euros. The evolution of investment funds marketed by the Group in the last five years is shown below:

EVOLUTION OF MARKETED INVESTMENT FUNDS (IN THOUSANDS OF EUROS)

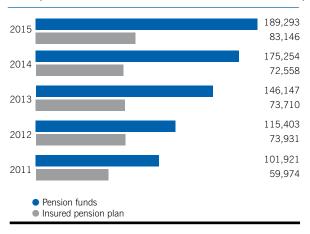


Caja de Ingenieros's discretionary portfolio management service closed 2015 with managed assets of 97,171 thousands of euros. This investment service offers an immediate answer and a management dynamic based on the sequence of events that occurs in the financial markets.

Supplementary social welfare, corresponding to the consolidated rights of pension funds and the mathematical provision of the insured pension plan, managed by the subsidiary Caja de Ingenieros Vida, as of 31 December 2015, stood at 272,439 thousands of euros compared to 247,812 thousands of euros as of 31 December 2014, representing an increase of 9.94%.

The performance of the pension funds and the insured pension plan in the last five years is shown below:

EVOLUTION OF PENSION FUNDS AND INSURED PENSION PLAN (TOTAL ASSETS MANAGED IN THOUSANDS OF EUROS)



The breakdown by type of pension fund and insured pension plan, both managed by Caja de Ingenieros Vida, is as follows:

	2015	2014	Change
Equities PF	58,353	41,750	39.77
Mixed equities PF	54,517	44,384	22.83
Mixed fixed-income PF	51,910	35,098	47.90
Fixed-income PF	14,007	7,603	84.23
Guaranteed PF	5,335	42,928	-87.57
Employment	5,171	3,491	48.12
IPP	83,146	72,558	14.59
Total	272,439	247,812	9.94

In thousands of euros

In addition, the total number of pension fund unit-holder accounts stood at 11,511 and 10,357 as of 31 December 2015 and 2014 respectively, representing an increase of 11.14%.

For its part, the mathematical provision of the individual systematic savings plan, managed by Caja de Ingenieros Vida, increased by 16.40% from 36,019 to 41,926 thousands of euros as of 31 December 2014 and 2015 respectively. In addition, the total number of contracts increased by 7.33% from 5,319 to 5,709 as of 31 December 2014 and 2015 respectively.

Furthermore, the mathematical provision of the annuity, a form of insurance that provides a monthly insured income for life, managed by Caja de Ingenieros Vida, reached the amount of 5,756 thousands of euros at the end of 2015, representing an increase of 5.19% in relative terms.

Spanish Law 26/2014 of 27 November, amending Spanish Law 35/2006 of 28 November, concerning Personal Income Tax, introduced a new financial product with tax advantages to encourage long-term saving by taxpayers called plan futuro 5, SIALP (long-term individual savings plan). Caja de Ingenieros has made this product available to its members and, by the end of 2015, it had reached a mathematical provision of 9,993 thousands of euros.

Caja de Ingenieros Vida's unit-linked funds, in which the policyholder assumes the investment risk, amounted to a mathematical provision of 15,764 thousands of euros at the end of 2015 compared to 44,882 thousands of euros as of 31 December 2014, representing a decrease of 64.88%, essentially as a result of the maturity of three issues. During the last quarter of 2015, however, Caja de Ingenieros Vida relaunched the issuing of products structured in this format, making available to members the new life insurance policy, InvestSegur EuroIndex.

The value of the fixed-income securities managed by the Bank, comprising of bonds and public debt obligations, treasury bills and corporate bonds, increased by 16,737 thousands of euros (16.84% in relative terms), reaching 116,146 thousands of euros at the end of 2015.

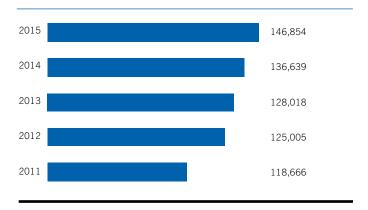
The value of the equity securities managed by the Bank, as of 31 December 2015, stood at 330,737 thousands of euros, representing a slight decrease compared to the 348,438 thousands of euros as of 31 December 2014.

See section 6.2 Members in this report, where information on the products managed by the Group is expanded.

9.1.3. SHAREHOLDERS' EQUITY

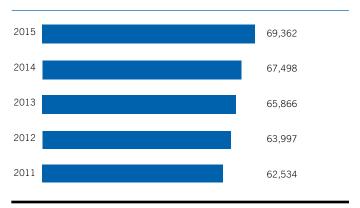
The Group's equity as of 31 December 2015, stood at 146,854 thousands of euros compared to 136,639 thousands of euros at the end of the previous year.

EVOLUTION OF SHAREHOLDERS' EQUITY (IN THOUSANDS OF EUROS)



Its share capital, as of 31 December 2015, amounted to 69,362 thousands of euros, distributed among 24,372 members with contributions by Caja de Ingenieros.

EVOLUTION OF CAPITAL (IN THOUSANDS OF EUROS)



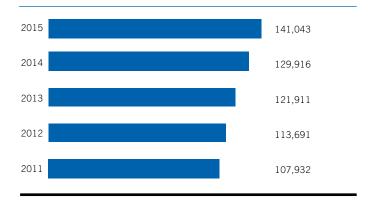
As of 31 December 2015, the subsidiaries of Caja de Ingenieros Group held 44,333 cooperative shares at a nominal value of 4,256 thousands of euros, which represented 6.14% of the total capital of the Bank.

Caja de Ingenieros, as a cooperative bank, has a highly fragmented capital structure, which complies at all times with the limits set in the articles of association, meaning that no member can hold cooperative shares for an amount exceeding 2.5% of the share capital in the case of natural persons, or 10%, in the case of legal persons.

The largest holdings in the Bank's share capital by legal persons belong to the Fundación Privada de la Caja de Ingenieros and Consumidores y Usuarios de los Ingenieros, S. Coop. C. Ltda., with 4.74% and 1.07% respectively as of 31 December 2015. As regards holdings by natural persons, the high degree of fragmentation of members of the Bank means that the highest individual holding as of 31 December 2015 was 2.47%.

Regarding Caja de Ingenieros Group's membership, it increased by 11,127 (8.56% in relative terms) in 2015, reaching a total of 141,043 as of 31 December 2015. The evolution of membership in the last five years is shown below:

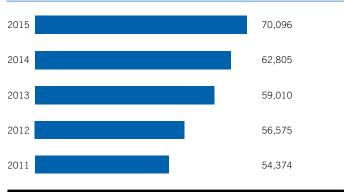
EVOLUTION OF MEMBERSHIP



92.29% of the members of the Group were natural persons and 7.71% legal persons, 130,165 and 10,878 respectively as of 31 December 2015.

Group reserves, as of 31 December 2015, stood at 70,096 thousands of euros – a figure that represents an increase of 11.61% compared to the same date the previous year. Reserves accounted for 47.73% of equity.

EVOLUTION OF RESERVES (IN THOUSANDS OF EUROS)



Reserves

+11.61%

compared to 2014

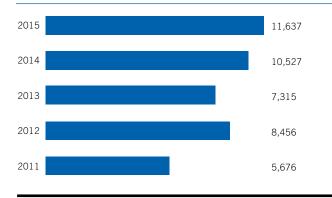
9.2

RESULTS

9.2.1. CONSOLIDATED PROFIT/LOSS

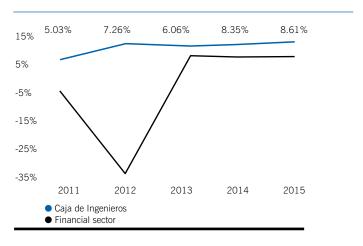
The Group's profit for the year, as of 31 December 2015, stood at 11,637 thousands of euros, representing an increase of 10.54% compared to 10,527 thousands of euros at the end of 2014.

EVOLUTION OF CONSOLIDATED RESULTS (IN THOUSANDS OF EUROS)



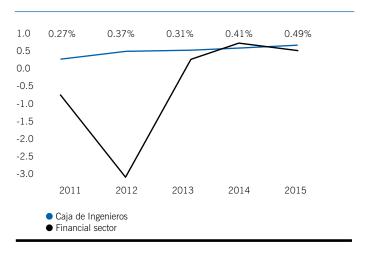
In terms of profitability, return on equity (ROE) increased over the previous year, standing at 8.61% at the end of 2015 compared to 8.35% as of 31 December 2014.

EVOLUTION OF RETURN ON EQUITY (ROE)



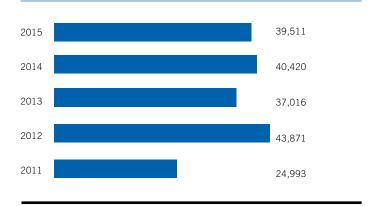
In addition, return on assets (ROA) increased from 0.41% to 0.49% as of 31 December 2014 and 2015 respectively.

EVOLUTION OF RETURN ON ASSETS (ROA)



The net interest income figure for 2015 experienced an increase of 2.25% compared to 2014, reaching 39,511 thousands of euros as of 31 December 2015 compared to 40,420 thousands of euros as of 31 December 2014. This decrease reflects both the declining profitability of the lending portfolio, resulting from the downward trend of interest rates, which also limits new production prices, and lower income resulting from reduced fixed income portfolio volume, whose profitability was also lower for the new portfolio. In this climate of historic interest rate lows, reduced financing costs, as a result of the general decline in rates of remuneration, which, in turn, has led to the channelling of term deposits towards demand deposits and other off-balance-sheet financial products with higher profitability, has enabled contraction of the above-mentioned margin to be moderated.

EVOLUTION OF INTEREST MARGIN (IN THOUSANDS OF EUROS)



The net figure between received and paid fees, in 2015, stood at 21,103 thousands of euros as of 31 December 2015 compared to 19,531 thousands of euros in December 2014, representing an increase of 1,572 thousands of euros (8.05% in relative terms).

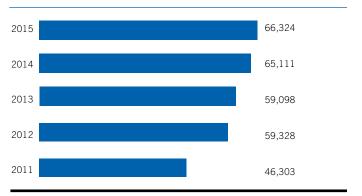
Specifically, fees received increased from 21,408 thousands of euros to 22,856 thousands of euros as of 31 December 2014 and 2015 respectively, representing an increase of 6.76% (1,448 thousands of euros in absolute terms), essentially resulting from an increase in the volume of fees for product management relating to the insurance and asset management businesses.

The net result from financial transactions amounted to 7,741 thousands of euros at the end of 2015, essentially as a result of the materialisation of some of the unrealised gains in the portfolio available for sale, taking advantage of the market situation, which reflects the Group's satisfactory management.

The net figure between other products and other operating charges experienced an improvement in 2015 of 1,691 thousands of euros compared to the end of 2014, mainly as a result of reductions in net allocations to life insurance provisions and revenue from accrued premiums carried out by the subsidiary Caja de Ingenieros Vida. In addition, the modification of the calculation base for contributions to the deposit guarantee fund (set out in Spanish Royal Decree 1012/2015 of 6 November) and the reduction in the percentage applied to the calculation base of effectively guaranteed deposits (from 2 per thousand to 1.6 per thousand) set by the Management Committee of the Deposit Guarantee Fund of Credit Institutions (FGDEC) at its meeting on 2 December 2015 resulted in a lower contribution by the Bank to the FGDEC in the 2015 financial year.

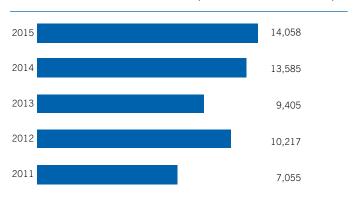
As a result of the different evolution outlined above, the gross margin increased by 1.86%, from 65,111 to 66,324 thousands of euros at the end of 2014 and 2015 respectively.

EVOLUTION OF GROSS MARGIN (IN THOUSANDS OF EUROS)



The result of operating activities increased by 483 thousands of euros (3.56% in relative terms) from 13,585 thousands of euros to 14,068 thousands of euros as of 31 December 2014 and 2015, respectively – an increase that was compatible with the significant efforts made in the allocation to provisions for impairment of assets, whose purpose was to maintain an adequate hedge ratio to ensure a proper write-down of assets in the Bank's lending to customers portfolio. In this regard, total net allocations of 5,763 thousands of euros were made in 2015.

EVOLUTION OF OPERATING RESULTS (IN THOUSANDS OF EUROS)

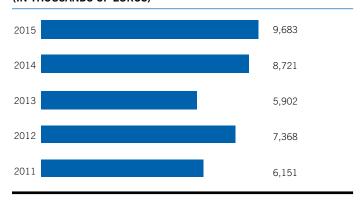


Also notable is the increase in administrative expenses as a result of the combination of the process of expansion and growth in which the Group is immersed and the significant costs arising from increasing regulatory requirements which affect the financial sector. Consequently, and in relative terms, administrative expenses increased by 10.16% over the previous year and the efficiency ratio stood at 62.33% as of 31 December 2015 (compared to 57.63% the previous year).

9.2.2. INDIVIDUAL RESULTS OF THE GROUP'S ENTITIES

Caja de Crédito de los Ingenieros, S. Coop. de Crédito closed 2015 with a profit of 9,683 thousands of euros, representing an increase of 11.03% compared to 8,721 thousands of euros at the end of 2014.

EVOLUTION OF CAJA DE INGENIEROS' RESULTS (IN THOUSANDS OF EUROS)



Profit + 11.03% compared to 2014

The evolution of the results of the entities that make up Caja de Ingenieros Group is shown below. Included is the associate entity Norbolsa, in which Caja de Ingenieros maintains a 10% holding with the aim of enhancing the services it currently offers to members in the securities market field, part of the Group's strategic business line:

Results of Group entities	2015	2014	Change (ABS)	Change (%)
Caja de Crédito de los Ingenieros, S. Coop. de Crédito	9,683	8,721	962	11.03
Caja Ingenieros Gestión, SGIIC, SAU	341	507	-166	-32.74
Caja Ingenieros Vida, Compañía de Seguros y Reaseguros, SAU	1,025	945	80	8.47
Caja Ingenieros, Operador de Bancaseguros Vinculado, SLU	591	366	225	61.48
Consumidors i Usuaris dels Enginyers, S. Coop. C. Ltda.	14	9	5	55.56
Fundación Privada Caja de Ingenieros	-2	38	-40	-105.26
Results of associated entities				
Norbolsa, SV, SA*	1,427	749	678	90.52

In thousands of euros

9.2.3. REMUNERATION OF THE GOVERNING BODIES

All remuneration received by the Governing Board and the delegated committees of the Bank and by the Boards of Directors of the Group's subsidiaries exclusively relate to expenses for attending meetings and travelling. The governing bodies do not receive any other remuneration for the performance of their functions as members of these boards and committees.

The remuneration of members of the Governing Board and the Boards of Directors of subsidiaries amounted to 241 thousands of euros, representing an increase of 47.85% compared to 163 thousands of euros at the end of the previous year.

The Group has not contracted any obligations for pensions or the payment of life insurance premiums for the members of these governing bodies.

9.2.4. PROPOSED DISTRIBUTION OF PROFITS

Caja de Ingenieros' profit, as of 31 December 2015, stood at 9,683 thousands of euros.

The proposed allocation of the profit for 2015, which the Governing Board of the Bank submits for approval to the General Meeting of members, is shown below:

Breakdown of results	2015
To Education and Promotion Fund	-
Interest payable to members for capital contributions	3,081
To obligatory reserves	1,467
To voluntary reserves	5,135
	9,683

In thousands of euros

The distribution of 3,081 thousands of euros in interest payable to members for capital contributions involves the application of a nominal interest rate of 4.5%.

9.3

RISK MANAGEMENT

9.3.1. INTRODUCTION

The changes that have occurred in the financial sector in recent years have highlighted the crucial importance for financial institutions to manage their risks adequately. For Caja de Ingenieros Group, risk management is an essential cornerstone of its competitive strategy, whose purpose is to preserve its solvency levels and drive, in turn, its business development.

Caja de Ingenieros Group's risk profile is mainly characterised by prudent management of credit risk, based on a high degree of exigency in the granting process. Also maintained is a comfortable capital and liquidity position and a good balance in the management of interest rate risk.

In a macroeconomic environment that poses significant challenges, particularly against a backdrop of interest rates close to zero and still weak economic activity, it is important to highlight the advantages of the business model developed by Caja de Ingenieros Group in terms of sustaining future profitability. Caja de Ingenieros has maintained steady and consistent growth, prioritising quality of service, diversification in sources of income and prudence in assuming risk.

The Governing Board of the Institution establishes the framework for risk management in the Group's activities, through the definition of policies, systems and internal control procedures, and monitoring compliance. Coordinating these prudent policies, and the use of effective and standardised methods and management and control techniques, allows Caja de Ingenieros Group to obtain recurring and sustainable results, as well as enjoying a comfortable solvency position.

Identification, measurement, management, as well as control and monitoring, of the risks inherent in the Group's business activities represent fundamental objectives, always within a framework of optimising overall risk management, mainly covering the business model, credit and counterparty risk, structural interest rate and liquidity risks, market risk, operational risk, compliance and money laundering risks, and reputational risk.

9.3.2. GENERAL PRINCIPLES

The implementation of the Risk Management System requires the application of principles to facilitate effective risk management, the following aspects of which are considered fundamental:

- Sustainability. Caja de Ingenieros Group's mission is to provide its members with sustainable value, and this sustainability must be based on risk management policies and good practices.
- Management quality. Because risk is inherent to Caja de Ingenieros Group's business, it is necessary to have a professionalised and robust risk management that is present throughout the organisation.
- Responsibility. The ultimate responsibility for risk management falls to the Governing Board. The General Manager of Caja de Ingenieros is responsible for implementing risk management.
- Monitoring. Caja de Ingenieros Group needs to define the threshold of acceptable risk and monitor its risk profile in relation to this risk threshold. The assumed risks must be identified and there must be mechanisms for measuring and monitoring.
- **Commitment.** Risk management requires the involvement of the entire organisation. The Group promotes a culture of risk by transferring risk management criteria to different levels of the organisation through internal communication mechanisms, including training and regulations.
- Independence. The function entrusted to risk management and control must be independent of commercial functions and business areas.

9.3.3. RISK MANAGEMENT SYSTEM

Caja de Ingenieros Group has established a Risk Management System which consists of the following elements:

 A system of governance and organisation of the risk function that features properly defined roles and responsibilities, a system of committees and delegation structures, a model of three lines of defence and an internal control system consistent with the nature and magnitude of risks.

- A Risk Appetite Framework integrated into the Risk Management Policy and approved by the Governing Board, which determines risks and the extent to which the Group is willing to assume them to achieve its business goals.
- A management model that includes self-assessment of risks, comprehensive monitoring of them, risk and solvency planning, internal and public communication and a regulatory body that regulates risk management.
- Adequate allocation of human and technological resources for the management and effective monitoring of the model.

9.3.4. RISK APPETITE FRAMEWORK

The Risk Appetite Framework is the overarching framework through which risk appetite is set, communicated and monitored, and requires, for these purposes, policies, procedures, systems and controls. It explicitly defines the limits with which the managers of the Bank can operate. Caja de Ingenieros Group's Risk Appetite Framework has the following characteristics:

- Alignment with the mission, vision, values and strategic principles of Caja de Ingenieros.
- Alignment with the strategic and business plan.
- Search for a low-medium risk profile.
- Clear, concise, forward-looking and manageable formulation.
- Explicit definition of the limits with which managers can operate.
- Maintenance of a reasonable excess of capital and liquidity.

9.3.5. CREDIT AND COUNTERPARTY RISK

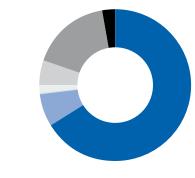
Credit risk relates to the losses that the Group would suffer in the event that debtors, whether members or other counterparties, fail to meet their contractual obligations. The high degree of prudence in the policies relating to the Group's credit risk allows it to maintain good asset quality and keep default levels significantly below the average for the sector.

In accordance with current solvency regulations, credit risk is covered by the existence and control of equity capable of absorbing the risks assumed, as well as the constitution of provisions to cover insolvencies. Such provisions are separated into specific provisions, which aim to hedge possible insolvency of assets classified as doubtful and as substandard risk and generic provisions for hedging possible losses inherent to debt instruments and contingent risks, including possible losses due to changes in the economic cycle.

Particularly noteworthy is the high degree of collateralisation of all of the Group's lending portfolio, which contributes to improving its management ratios. The percentage of transactions with collateral was 84.47% of total customer lending at the end of the 2015 financial year, thus maintaining high historical levels of collateral.

Following the line of diversification and collateralisation in the approval of loans with mortgage security typical of the Bank, it is worth mentioning that in the 2015 financial year, 560 transactions were approved (537 in 2014) for an average amount of 159 thousands of euros (140 thousands of euros in 2014) and with an average Loan to Value of 59.41% (64.17% in 2014).

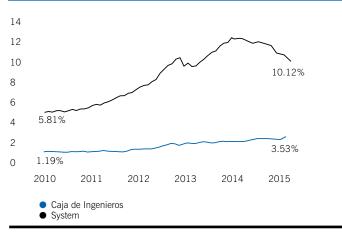
BREAKDOWN OF LENDING TO CUSTOMERS BY TYPE OF GUARANTEE AND BORROWER (%)



Natural persons - 1st mortgage on 1st home	66.30%
 Natural persons - 1st mortgage on 2nd home 	6.79%
 Natural persons - other 1st mortgage 	0.50%
Natural persons - Other collateral	1.51%
Natural persons - Other	5.22%
 Legal persons 	17.11%
Public authorities	2 57%

As of 31 December 2015, Caja de Ingenieros' default rate stood at 3.53%, which continues to be substantially lower than the rate for the sector, which stood at 10.12% as of 31 December 2015.

COMPARISON OF THE EVOLUTION OF THE DEFAULT RATE (%)



Source: Bank of Spain, AFI and Caja de Ingenieros

At the end of 2015, the Group's total provisions for hedging possible insolvency of lending to customers and debt securities was 50,115 thousands of euros, of which 14,514 thousands of euros related to generic provisions, 31,584 thousands of euros to specific provisions for doubtful assets and 4,017 thousands of euros to specific provisions for substandard assets.

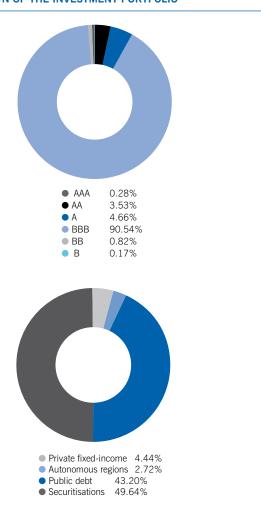
Total provisions associated with the lending portfolio as of 31 December 2015, which amounted to 49,681 thousands of euros, represented a hedge ratio of 94.62%, significantly higher than the industry average, which closed 2015 at 59.20%.

See section 9.1.1. Business report - Assets in this report, in which there is a thorough analysis of lending activity.

In addition, the Group has a Policy for Financial Investments which establishes a system of limits according to their risk profile, whose compliance and permanent monitoring enables concentrations of credit risk to be avoided. Most of the investments in the portfolio are in assets with good credit ratings and, above all, about half of the investments are in Spanish public debt, while mortgage securitisations originated by Caja de Ingenieros represent over 47.76% of the portfolio.

Below is a breakdown of the financial investment portfolio as of 31 December 2015 by different *rating* level and type of debt:

BREAKDOWN OF THE INVESTMENT PORTFOLIO



Credit risk includes **counterparty risk**, which is risk that counterparties incur when in non-compliance with the Group before final settlement of transactions with derivative instruments, repurchase commitments, securities lending, deferred settlements and guarantee financing.

Caja de Ingenieros checks the compliance of counterparty limits in the Interbank Market, repo transactions and derivatives transactions. Monitoring and compliance of the limits structure enables risk concentrations, which could affect the Group's own equity, to be avoided.

It is worth mentioning that counterparty risk assumed by the Group is not very significant in comparison with total credit risk.

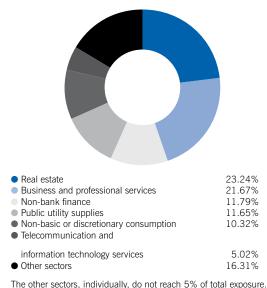
Moreover, the risk of credit concentration, which is associated with the possibility of significant losses occurring as a result of risk concentrated in a small group of borrowers, in a group with similar behaviour or in particularly correlated financial assets, is an essential element in the management of credit risk.

With the aim of limiting sectoral concentration, Caja de Ingenieros has adopted, on the one hand, a very conservative lending policy, which results in a highly diversified lending portfolio, and, on the other hand, at Group level, a financial investment policy in which prudent limits are set for overall lending to each economic sector.

The breakdown of exposure to credit risk shows an adequate level of sectoral diversification, the most significant of which are as follows: real estate, 23.24%; business and professional services, 21.67%; non-bank finance, 11.79%; public utility supplies, 11,65%; and non-basic or discretionary consumption, 10,32%.

In addition, these lending and financial investment policies set certain limits on amounts and the hierarchy of decision making in the approval process, which enables control of individual or business group concentration.

SECTORAL CONCENTRATION (%)



The other sectors, marviaually, do not reach 5% of total exposure

In accordance with EU Regulation 575/2013, all of the risks that an entity contracts with the same counterparty, natural, legal or economic group, shall be considered to be large risks when their aggregate value exceeds 10% of the Group's equity, except for exposures with governments and central banks belonging to the OECD. As of 31 December 2015, there were no aggregate exposures exceeding 10% of the Group's equity.

With regards to the Group's corporate fixed-income portfolios, these are well diversified, being spread over 56 issuing groups with good credit ratings.

9.3.6. STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is the possibility of suffering losses from the potential impact of changes in interest rates on the profits of the Bank or the net value of its assets. Interest rate risk is excluded from the trading portfolio.

The ALM Committee analyses the hedge requirements resulting from the management of assets and liabilities and takes the appropriate investment decisions, always complying with the Group's contracting limits. In 2014, Caja de Ingenieros implemented Focus ALM tools to assess its exposure to interest rate risk and enable it to analyse, at a static level, maturity and repricing gaps between assets and liabilities, sensitivity or economic value, and, at a dynamic level, simulation of the financial margin and future economic value, as well as its sensitivity to interest rate variations.

The structural interest rate risk of the balance sheet, measured in terms of the gap between assets and liabilities distributed by maturity or repricing, enables the detection of interest risk concentrations in the different maturity periods.

As of 31 December 2015, the sensitivity of the economic value of the Bank to a parallel movement of the interest rate curve of -200 basis points stood at -3.23%, significantly below the regulatory limit of $20\%^1$.

Simulation of the financial margin at one year, considering maintenance of the structure of the balance sheet, shows a sensitivity to parallel movements of the interest rate curves of -200 basis points of -0.22%, significantly below the regulatory limit of 50%¹.

The aforementioned figures estimate that changes in interest rates would have an adverse effect on economic value, minimum capital requirements and financial margin.

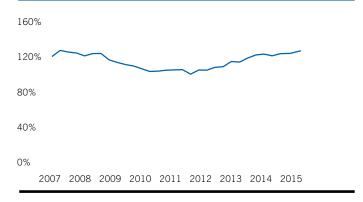
9.3.7. STRUCTURAL LIQUIDITY RISK

Liquidity risk is defined as the possible loss when faced with a situation in which it is impossible to obtain, at reasonable prices, funds to deal with payment obligations on a timely basis, either by the refund of resources or the use of disposables in credit transactions by customers or by the settlement of market transactions.

The Group's liquidity management policies have the aim of securing the funds required to cover the needs of the business, diversifying sources of financing and minimising their cost. The Group, through Caja de Ingenieros, monitors its liquidity position and its financing strategies on an ongoing basis. In addition, it has a Liquidity Contingencies Plan for the management of unexpected events as a result of economic or market conditions or other situations beyond the direct control of Caja de Ingenieros which could cause short or long-term liquidity difficulties.

It is worth highlighting the favourable structural liquidity ratio (defined as the ratio of customer deposits to customer credit) historically maintained by Caja de Ingenieros Group, which, as of 31 December 2015, stood at 130%.

EVOLUTION OF THE STRUCTURAL LIQUIDITY RATIO (%)



Based on the report to the European Central Bank on COREP statements, monitoring took place of Caja de Ingenieros's net stable funding ratio (NSFR) and liquidity coverage ratio (LCR). The LCR aims to ensure that the Bank has sufficient high-quality liquid assets to meet the cash outflows that would occur in a month-long scenario of acute stress; in turn, the NSFR shows the capacity for resilience over one year by measuring the ratio of stable funding to assets that require funding. Both ratios remained at high levels during the financial year. Specifically, as of 31 December 2015, the estimated LCR stood at 361% and the estimated NSFR at 137%, when regulatory requirements were 60% for 2015 in the case of LCR and 100% from the 2018 financial year in both cases.

9.3.8. MARKET RISK

Market risk is risk associated with potential losses in trading portfolio positions caused by adverse movements in market variables.

To manage market risk, in addition to duration, convexity and sensitivity measures, Value at Risk (VaR) is used as a system of measurement – a calculation method for determining maximum expected loss based on a probability and a time horizon. In addition to VaR, VaR Conditional (or TailVaR), a statistic that measures the average loss that would occur in cases where the VaR level is exceeded, and Component VaR, which measures the contribution of a sub-portfolio to the total VaR of the portfolio, are calculated.

Caja de Ingenieros Group, following standards of prudence, has established, in its financial investment policy, maximum limits in VaR levels assumed.

YIELD PER UNIT OF RISK AND SENSITIVITY IN THE FIXED-INCOME PORTFOLIO

Portfolio	Duration	IRR	IRR/Duration	Sensitivity at \pm 1%
Trading	6.82	1.82%	0.27%	2,033

TRADING PORTFOLIO

Asset type	VaR	Conditional VaR	Component VaR
Total	7.18%	9.01%	7.18%
Fixed income	1.35%	1.70%	0.02%
Equities	7.28%	9.14%	7.16%
Sum of VaR and TailVaR	8.63%	10.84%	
Diversification effect	1.45%	1.83%	

VaR calculated with a confidence interval of 95% and time horizon of one day. Annualised results.

9.3.9. OPERATIONAL RISK

Operational risk is defined as events that may cause losses as a result of inadequate internal processes, human error, incorrect operation of information systems or external events. As risk is inherent in the day-to-day operations of any entity, its control should be the object of consideration in all areas.

This definition includes legal risk, but excludes strategic risk and image or reputational risk.

Legal risk includes the possibility of being sanctioned, fined or forced to pay punitive damages resulting from supervisory actions or private agreements between parties.

As well as operational risk, Caja de Ingenieros Group also takes into consideration image (or reputational) risk and assesses, in qualitative terms, the impact on the end customer and different stakeholders of a potential materialisation of the operational risks identified.

The organisational model adopted by Caja de Ingenieros Group, defined and implemented during 2012, is based on three independent pillars or levels of responsibility:

- Business and Support Functions: responsible for identifying, assessing, managing, monitoring and reporting operational risks relating to its activities.
- Operational Risk Function: responsible for defining the methodology and solutions for proper identification, measurement, control and management of the Group's operational risk and, in addition, controlling proper deployment. It supports the Business and Support Functions and consolidates information on operational risks throughout the Group for reporting to the office of the Director of Global Risk Management and the risk management committees involved.
- Internal Audit Function: with regard to operational risk, it is the area responsible for checking compliance with the established operational risk identification, measurement, control and management model.

The Operational Risk Function analyses, reports and advises the Business and Support Functions on the best way to assess operational risk.

Daily management of operational risk falls to the different areas and departments of the Bank, which maintain lines of communication with the Operational Risk Function. It works with them on the collection of information and implementation of actions, if any, for risk management. To ensure good interaction between the Operational Risk Function and the areas and departments, the role of Process Expert has been defined for the areas and departments.

It is also worth noting that the Bank has contracted a comprehensive banking insurance policy that essentially covers any losses that may occur as a result of events relating to operational risk (computer fraud, employee disloyalty, etc.).

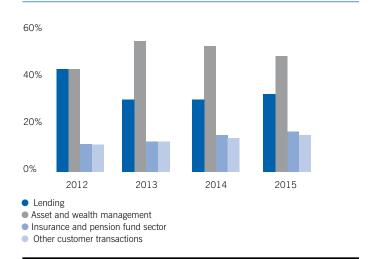
9.3.10. BUSINESS RISK

Business risk is defined as the possibility of suffering losses as a result of strategic decision making or the occurrence of adverse hypothetical events (internal or external) negatively affecting the Group's normal business activities or its ability to achieve its profitability or solvency targets. For more than a decade, Caja de Ingenieros Group has been promoting business diversification, which is structured into four main areas of activity:

- Lending.
- Activities relating to asset and wealth management.
- Activities related to insurance and pension funds.
- · Other customer transactions.

These areas of activity are configured as elements of diversification in the provision of services to members and income related to them. The evolution of the relative contribution of these business areas in recent years is shown below:

EVOLUTION OF THE RELATIVE CONTRIBUTION OF THE GROUP'S BUSINESS AREAS (%)



As can be seen in the graph, the relative contribution of the asset and wealth management businesses, whose profile is stable in terms of cyclicality, continues to be high, although with a slight decrease in relative weight in the last year essentially due to the negative evolution of the markets. For their part, activities related to insurance and pension funds have followed an upward trend in terms of their specific weight. Finally, it is also worth noting that the relative contribution of lending activities was maintained.

Historically, Caja de Ingenieros Group has maintained a trend of growth and profitability with stable and balanced increases in results and equity components, good quality assets and default and hedge levels significantly better than the industry average.

Caja de Ingenieros Group's magnitudes and ratios show solidity and recurrence in obtaining results, as well as competitive strength in its environment. Sustainability of profit, increasing return on equity (ROE) and assets (ROA) and appropriate default and hedge ratios are a clear demonstration of the ability of Caja de Ingenieros Group to meet allocation needs for impairment of assets without significantly affecting its solvency.

9.3.11. REPUTATIONAL RISK

Caja de Ingenieros Group defines reputational risk as damage incurred by the Group as a result of negative publicity in relation to its business practices, whether true or not, which could have an effect on its customer base, litigation costs and income. It is associated with the impact that the Group could suffer from being discredited or distrusted by its current and potential customers.

Reputational risk is especially linked to the compliance function, given that reputation can be adversely affected by the possibility of being financially penalised or subject to other disciplinary action by supervisory bodies. It also includes conduct risk, which attempts to measure and manage the risk of damage caused to members and market integrity.

Also of particular importance is proper management of the following aspects:

- Marketing of complex financial products. The Bank has specific policies for the design and launch of new products.
- Actions related to money laundering. The Bank has a policy
 on the Prevention of Money Laundering and Financing of
 Terrorism adopted by the Governing Board, which includes
 measures to prevent and/or detect and report suspicious
 transactions that could be related to money laundering and/or
 the financing of terrorism.
- Customer transparency regarding banking operations. The Bank has a Member/Customer Service department through which users of the Bank's banking services can send any complaints and/or claims. It has the necessary independence to resolve issues and works to operating regulations which define its roles and responsibilities. Customers also have the option of sending their complaints and/or claims to an external Banking Ombudsman. The Bank reports that it receives very few complaints and/or claims through official and supervisory bodies.

9.3.12. GLOBAL RISK MANAGEMENT DEPARTMENT

The Global Risk Management Department, which is integrated into the organisational structure of the Bank under the hierarchical responsibility of the General Management's office, in accordance with the principle of independence of the risk function, is the department that monitors all of the risks inherent to the Group's business.

Its main functions are to:

- Provide a comprehensive overview of all of the Group's risks.
- Ensure that the levels of risk assumed by the Group are in line with its risk profile.
- Identify the risks to which the Group is exposed, including those that may be developing, risk concentrations that may exist and other situations that require consideration.
- Assess the adequacy of the Bank's equity for current and future exposure requirements.
- Verify compliance with the approved limit structure of the risk policies.
- Define relevant risk policies for approval. Coordinate and promote the establishment of risk policies and procedures.
- Analyse scenarios and stress testing in order to assess the impact of future and alternative scenarios.
- Coordinate the Capital Adequacy Assessment Process, including Capital Planning and Information with Prudential Relevance.

Those responsible for the risk function in the subsidiaries establish mechanisms of coordination and communication with the Global Risk Management Department so that the function of ensuring the solvency of the Group is effective, while safeguarding the independence of the subsidiary and the responsibilities of its Board.

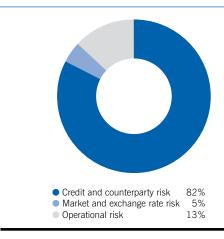
Everything relating to Caja de Ingenieros Group's control and management of risks is contained in a body of documentation that defines policies, limits, methodologies and standards of application, enabling the profile and objectives to be conveyed to the entire organisation.

9.4

SOLVENCY

Low default rates, high collateralisation of credit, strength of provisions set aside and reduced exposure to other risks, together with an appropriate equity structure, result in a high degree of **solvency** for the Group.

CAPITAL REQUIREMENTS BY TYPE OF RISK (%)



As of the end of 2015, the total capital ratio stood at 15.51% (14.57% excluding results attributable to reserves), well above the legally required minimum.

The total capital ratio measures the relationship between capital requirements and equity and, in accordance with Regulation (EU) No 575/2013, concerning prudential requirements for credit institutions and investment firms (CRR), and Directive 2013/36/EU, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), should be above 8%.

In addition, the surplus of total capital at consolidated level, as of the end of 2015, stood at 69 million euros.

The Common Equity Tier 1 (CET1) of Caja de Ingenieros Group, as of the end of 2015, amounted to 133,441 thousands of euros with a ratio of 14.49% (13.56% excluding results attributable to reserves), substantially above the legally required minimum.

CONSOLIDATED SOLVENCY RATIO (%)



Furthermore, applying the criteria set for the end of the transitional period, Caja de Ingenieros Group reached a 'fully loaded' CET1 ratio of 13.54%, including the retained net result for the year, which represents a surplus of 68 million euros on the minimum regulatory 'fully loaded' CET1 of 7%, including 2.5% capital conservation buffer.



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