

AUDIT REPORT

RENTA 4 BANCO, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended December 31, 2014

(Free translation from the original in Spanish)

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails, see Note 25)

To the Shareholders of Renta 4 Banco, S.A.:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Renta 4 Banco, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statement of financial position at December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of Renta 4 Banco, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Renta 4 Banco, S.A. and its subsidiaries at December 31, 2014, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated 2014 management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2014 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of Renta 4 Banco, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed in the original in Spanish)

Roberto Diez Cerrato

March 25, 2015

**Renta 4 Banco, S.A. and Subsidiaries Comprising the Renta 4 Group
CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**

CONSOLIDATED FINANCIAL STATEMENTS

**Consolidated Balance Sheets of
Renta 4 Banco, S.A. and Subsidiaries**

Renta 4 Banco S.A. and subsidiaries
Consolidated balance sheets at December 31

ASSETS	Note	Thousands of euros		
		2014	2013(*)	01/01/2013 (*)
Cash and balances with central banks	8	3,729	3,076	2,390
Financial assets held for trading	9	1,764	1,037	2,363
Due from credit institutions		-	-	-
Loans and advances to customers		-	-	-
Debt securities		97	287	257
Equity instruments		1,217	289	1,604
Trading derivatives		450	461	502
<i>Memorandum item: Loaned or advanced as collateral</i>		-	-	-
Other financial assets at fair value through profit or loss		-	-	-
Due from credit institutions		-	-	-
Loans and advances to customers		-	-	-
Debt securities		-	-	-
Equity instruments		-	-	-
<i>Memorandum item: Loaned or advanced as collateral</i>		-	-	-
Available-for-sale financial assets	10	626,628	401,834	249,163
Debt securities		593,879	369,072	209,997
Equity instruments		32,749	32,762	39,166
<i>Memorandum item: Loaned or advanced as collateral</i>		433,179	354,015	188,399
Loans and receivables	11	797,884	443,426	312,528
Due from credit institutions		748,626	394,381	266,850
Loans and advances to customers		49,258	49,045	45,678
Debt securities		-	-	-
<i>Memorandum item: Loaned or advanced as collateral</i>		-	-	-
Held-to-maturity investments		-	-	-
<i>Memorandum item: Loaned or advanced as collateral</i>		-	-	-
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		-	-	-
Hedging derivatives		-	-	-
Non-current assets held for sale		-	-	-
Investments	12	5,880	3,202	1,892
Associates		5,880	3,202	1,892
Jointly controlled entities		-	-	-
Insurance contracts linked to pensions		-	-	-
Reinsurance assets		-	-	-
Property and equipment	13	35,171	32,372	31,268
Property and equipment		30,958	28,360	27,307
For own use		30,958	28,360	27,307
Leased out on operating lease		-	-	-
Assigned to welfare projects		-	-	-
Investment properties		4,213	4,012	3,961
<i>Memorandum item: Acquired under finance leases</i>		14,421	14,740	15,058
Intangible assets	14	17,861	17,447	17,500
Goodwill		15,420	15,460	16,106
Other intangible assets		2,441	1,987	1,394
Tax assets	20	2,092	2,042	2,069
Current		-	57	1,314
Deferred		2,092	1,985	755
Other assets	15	826	729	836
Inventories		-	-	-
Other		826	729	836
TOTAL ASSETS		1,491,835	905,165	620,009

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco, S.A. and subsidiaries

Consolidated balance sheets at December 31

	Note	Thousands of euros		
		2014	2013(*)	01/01/2013 (*)
LIABILITIES				
Financial liabilities held for trading	9	360	372	770
Due to central banks		-	-	-
Due to credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates including bonds		-	-	-
Trading derivatives		360	372	770
Short positions		-	-	-
Other financial liabilities		-	-	-
Other financial liabilities at fair value through profit or loss		-	-	-
Due to central banks		-	-	-
Due to credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates including bonds		-	-	-
Subordinated liabilities		-	-	-
Other financial liabilities		-	-	-
Financial liabilities at amortized cost	16	1,404,287	825,429	556,393
Due to central banks		306,974	235,912	135,379
Due to credit institutions		6,353	8,047	23,462
Customer deposits		1,024,014	504,055	331,365
Marketable debt securities		-	12,222	12,222
Subordinated liabilities		-	-	-
Other financial liabilities		66,946	65,193	53,965
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		-	-	-
Hedging derivatives		-	-	-
Liabilities under insurance contracts		-	-	-
Liabilities associated with non-current assets held for sale		-	-	-
Provisions	17	130	207	250
Provisions for pensions and similar obligations		-	-	-
Provisions for tax and other legal contingencies		130	160	250
Provisions for contingent exposures and commitments		-	47	-
Other provisions		-	-	-
Tax liabilities	20	4,162	3,660	3,145
Current		2,674	2,253	1,810
Deferred		1,488	1,407	1,335
Welfare fund		-	-	-
Other liabilities	15	2,018	4,202	3,274
Capital repayable on demand		-	-	-
TOTAL LIABILITIES		1,410,957	833,870	563,832

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco S.A. and subsidiaries

Consolidated balance sheets at December 31

	Note	Thousands of euros		
		2014	2013(*)	01.01.2013 (*)
EQUITY				
Own funds	18	79,630	70,977	55,414
Capital or endowment fund		18,312	18,312	18,312
Issued capital		18,312	18,312	18,312
Less: Uncalled capital		-	-	-
Share premium		8,496	8,496	8,496
Reserves		44,269	36,977	35,590
Retained earnings		43,930	36,446	34,907
Reserves (losses) of entities accounted for using the equity method		339	531	683
Other equity instruments		142	1,027	1,027
Equity component of compound financial instruments		-	885	885
Non-voting equity units and associated funds		-	-	-
Other equity instruments		142	142	142
Less: Treasury shares		(2,400)	(2,448)	(9,681)
Profit (loss) attributable to the parent		13,369	10,554	4,646
Less: Dividends and remuneration		(2,558)	(1,941)	(2,976)
Valuation adjustments	18	(304)	(993)	(1,028)
Available-for-sale financial assets		(148)	(809)	(1,052)
Cash flow hedges		-	-	-
Hedges of net investments in foreign operations		-	-	-
Exchange differences		(156)	(184)	24
Non-current assets held for sale		-	-	-
Companies accounted for using the equity method		-	-	-
Other valuation adjustments		-	-	-
Non-controlling interests	18	1,552	1,311	1,791
Valuation adjustments		-	88	85
Other		1,552	1,223	1,706
TOTAL EQUITY		80,878	71,295	56,177
TOTAL EQUITY AND LIABILITIES		1,491,835	905,165	620,009
MEMORANDUM ITEMS				
Contingent exposures	19	13	2,500	1,944
Contingent commitments	19	565	1,087	2,441
		578	3,587	4,385

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

**Consolidated Income Statements of
Renta 4 Banco, S.A. and Subsidiaries**

Renta 4 Banco, S.A., and subsidiaries

Consolidated income statements for the years ended December 31

	Note	Thousands of euros	
		2014	2013(*)
Interest and similar income	22.a	7,533	9,246
Interest and similar expense	22.a	(1,509)	(3,186)
Interest on capital repayable on demand		-	-
NET INTEREST INCOME		6,024	6,060
Returns on equity instruments		165	289
Share of profit (loss) of entities accounted for using the equity method	12	(771)	(378)
Fee and commission income	22.b	104,971	82,700
Fee and commission expense	22.b	(54,314)	(42,043)
Gains / (losses) on financial assets and liabilities (net)	22.a	8,229	6,460
Financial assets and liabilities held for trading		7,196	4,770
Other financial instruments measured at fair value through profit or loss		-	-
Other financial instruments not measured at fair value through profit or loss		1,033	1,690
Other		-	-
Exchange differences (net)		1,787	1,137
Other operating income	22.c	294	362
Income from issued insurance and reinsurance contracts		8	123
Sales and income from the provision of non-financial services		280	239
Other operating income		6	-
Other operating expense	22.c	(1,235)	(2,020)
Expenses from issued insurance and reinsurance contracts		-	-
Changes in inventories		-	-
Other operating expense		(1,235)	(2,020)
GROSS MARGIN		65,150	52,567
Administrative expenses		(40,328)	(34,608)
Personnel expenses	22.d	(24,134)	(20,326)
Other administrative expenses	22.e	(16,194)	(14,282)
Depreciation and amortization	13 & 14	(3,871)	(3,206)
Provision expense (net)		47	(15)
Impairment losses (net) on financial assets	22.f	(1,447)	(720)
Loans and receivables		(517)	23
Other financial instruments not measured at fair value through profit or loss		(930)	(743)
OPERATING PROFIT		19,551	14,018
Impairment losses (net) on other assets		(40)	-
Goodwill and other intangible assets		(40)	-
Other assets		-	-
Gains / (losses) on disposal of assets not classified as non-current assets held for sale		(1)	-
Negative difference on business combinations		-	-
Gains / (losses) on non-current assets held for sale not classified as discontinued operations		-	-
PROFIT (LOSS) BEFORE TAX		19,510	14,018
Income tax	20	(5,807)	(3,303)
Mandatory transfer to welfare funds		-	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		13,703	10,715
Profit (loss) from discontinued operations (net)		-	-
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		13,703	10,715
Profit (loss) attributed to the parent		13,369	10,554
Profit (loss) attributed to non-controlling interests		334	161
EARNINGS PER SHARE			
Basic earnings per share (euros)	18.i	0,33	0,28
Diluted earnings per share (euros)	18.i	0,33	0,28

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

**Consolidated Statements of recognised income and expense of
Renta 4 Banco, S.A. and subsidiaries**

Renta 4 Banco, S.A. and subsidiaries

Consolidated statement of recognized income and expense for the years ended December 31, 2014 and 2013.

Note	Thousands of euros	
	2014	2013(*)
A) CONSOLIDATED PROFIT/(LOSS) OF THE YEAR	13,703	10,715
B) OTHER RECOGNIZED INCOME AND EXPENSES	601	38
B.1) Items that will not be reclassified to profit or loss	-	-
1. Actuarial gains / (losses) on defined benefit pension plans	-	-
2. Non-current assets held for sale	-	-
3. Income tax related to items that will not be reclassified to profit or loss	-	-
B.2) Items that may be reclassified to profit or loss	601	38
Available-for-sale financial assets	818	356
Valuation gains (losses)	921	1,303
Amounts transferred to income statement	(103)	(947)
Other reclassifications	-	-
Cash flow hedges	-	-
Valuation gains (losses)	-	-
Amounts transferred to income statement	-	-
Amounts transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedges of net investments in foreign operations	-	-
Valuation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	28	(211)
Valuation gains (losses)	28	(211)
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Investments accounted for using the equity method	-	-
Valuation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial gains / (losses) on pension plans	-	-
Investments accounted for using the equity method	-	-
Valuation gains / (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Other recognized income and expense	-	-
Income tax	(245)	(107)
C) TOTAL RECOGNIZED INCOME AND EXPENSE (A+B)	14,304	10,753
Own funds	14,058	10,589
Non-controlling interests	246	164

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

**Consolidated Statements of total changes in equity of
Renta 4 Banco, S.A. and subsidiaries**

Renta 4 Banco, S.A. and subsidiaries

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

	Thousands of euros									
	Own funds					Less: Dividends and remuneration	Total own funds	Valuation adjustments	Non- controlling interests	Total equity
Capital / endowment fund	Share premium and reserves	Other equity instruments	Less: Treasury shares	Profit (loss) attributed to the parent						
Opening balance at 01/01/2014	18,312	45,473	1,027	(2,448)	10,554	(1,941)	70,977	(993)	1,311	71,295
Restatement for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-
Restatement for prior-year errors	-	-	-	-	-	-	-	-	-	-
Restated opening balance(*)	18,312	45,473	1,027	(2,448)	10,554	(1,941)	70,977	(993)	1,311	71,295
Total recognized income / (expense)	-	-	-	-	13,369	-	13,369	689	246	14,304
Other changes in equity	-	7,292	(885)	48	(10,554)	(617)	(4,716)	-	(5)	(4,721)
Increases / (decreases) in capital / endowment fund	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	(439)	(308)	-	-	-	(747)	-	-	(747)
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	(577)	-	-	-	(577)	-	-	(577)
Dividends paid / shareholder remuneration (Notes 2.10 and 18.h)	-	(854)	-	-	-	(2,558)	(3,412)	-	-	(3,412)
Transactions with own equity instruments (net) (Note 18.g)	-	-	-	48	-	-	48	-	-	48
Transfers between equity accounts	-	8.613	-	-	(10,554)	1.941	-	-	-	-
Increase / (decrease) for business combinations(note 18.l)	-	-	-	-	-	-	-	-	-	-
Discretionary allocation to welfare projects and funds	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
Other increases / (decreases) in equity	-	(28)	-	-	-	-	(28)	-	(5)	(33)
Closing balance at December 31, 2014	18,312	52,765	142	(2,400)	13,369	(2,558)	79,630	(304)	1,552	80,878

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco, S.A. and subsidiaries

Consolidated statement of total changes in equity for the year ended December 31, 2013

	Thousands of euros									
	Own funds						Total own funds	Valuation adjustments	Non-controlling interests	Total equity
Capital / endowment fund	Share premium and reserves	Other equity instruments	Less: Treasury shares	Profit (loss) attributed to the parent	Less: Dividends and remuneration					
Opening balance at 01/01/2013	18,312	44,086	1,027	(7,506)	5,189	(2,976)	58,132	(1,028)	1,791	58,895
Restatement for changes in accounting criteria	-	-	-	(2,175)	(543)	-	(2,718)	-	-	(2,718)
Restatement for prior-year errors	-	-	-	-	-	-	-	-	-	-
Restated opening balance(*)	18,312	44,086	1,027	(9,681)	4,646	(2,976)	55,414	(1,028)	1,791	56,177
Total recognized income / (expense)	-	-	-	-	10,554	-	10,554	35	164	10,753
Other changes in equity	-	1,387	-	7,233	(4,646)	1,035	5,009	-	(644)	4,365
Increases / (decreases) in capital / endowment fund	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Dividends paid / shareholder remuneration (Notes 2.10 y 18.h)	-	-	-	-	-	(1,941)	(1,941)	-	-	(1,941)
Transactions with own equity instruments (net) (Note 18.g)	-	(102)	-	7,233	-	-	7,131	-	-	7,131
Transfers between equity accounts	-	1,670	-	-	(4,646)	2,976	-	-	-	-
Increase / (decrease) for business combinations(Nota 18.l)	-	(181)	-	-	-	-	(181)	-	(644)	(825)
Discretionary allocation to welfare projects and funds	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
Other increases / (decreases) in equity	-	-	-	-	-	-	-	-	-	-
Closing balance at December 31, 2013(*)	18,312	45,473	1,027	(2,448)	10,554	(1,941)	70,977	(993)	1,311	71,295

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Consolidated Statements of Cash Flow
Renta 4 Banco, S.A. and Subsidiaries

Renta 4 Banco, S.A. and subsidiaries

Consolidated statements of cash flow for the years ended December 31

	Note	Thousands of euros	
		2014	2013(*)
CASH FLOWS FROM OPERATING ACTIVITIES		144,227	(40,855)
Consolidated profit (loss) for the year		13,703	10,715
Adjustments to obtain cash flows from operating activities		7,003	3,770
Amortization and depreciation	13	3,871	3,206
Other adjustments		3,132	564
Net increase / decrease in operating assets		(393,512)	(237,768)
Financial assets held for trading		(727)	1,326
Other financial assets at fair value through profit or loss		-	-
Available-for-sale financial assets		(219,528)	(146,333)
Loans and receivables		(173,110)	(92,555)
Other operating assets		(147)	(206)
Net increase / decrease in operating liabilities		522,005	185,949
Financial liabilities held for trading		(12)	(398)
Other financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortized cost		524,791	184,882
Other operating liabilities		(2,774)	1,465
Income tax receipts (payments)		(4,972)	(3,521)
CASH FLOWS FROM INVESTING ACTIVITIES		(10,152)	(5,589)
Payments		(11,236)	(5,881)
Property and equipment	13	(5,404)	(3,345)
Intangible assets	14	(1,720)	(915)
Investments	12	(4,112)	(1,621)
Other business units		-	-
Non-current assets and associated liabilities held for sale		-	-
Held-to-maturity investments		-	-
Other payments related to investing activities		-	-
Collections		1,084	292
Property and equipment		-	3
Intangible assets		-	-
Investments		919	-
Other business units		-	-
Non-current assets and associated liabilities held for sale		-	-
Held-to-maturity investments		-	-
Other collections related to investing activities		165	289
CASH FLOWS FROM FINANCING ACTIVITIES		47,838	85,943
Payments		(1,074,551)	(337,943)
Dividends	2.10 & 18	(3,412)	(1,941)
Subordinated liabilities		-	-
Redemption of own equity instruments		(8,434)	-
Acquisition of own equity instruments	18.g	(6,216)	(1,970)
Other payments related to financing activities		(1,056,489)	(334,032)
Collections		1,122,389	423,886
Subordinated liabilities		-	-
Issuance of own equity instruments	16.c	-	-
Disposal of own equity instruments		1,089	8,886
Other collections related to financing activities		1,121,300	415,000
EFFECT OF EXCHANGE RATE CHANGES		28	(211)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		181,941	39,288
Cash and cash equivalents at beginning of period	8	106,194	66,906
Cash and cash equivalents at end of period	8	288,135	106,194
MEMORANDUM ITEM		288,135	106,194
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		121	74
Cash		3,608	3,002
Cash equivalents at central banks		284,406	103,118
Other financial assets (note 11.a)		-	-
Less: Overdrafts repayable on demand		-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Renta 4 Banco, S.A. and subsidiaries

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APPENDICES

Renta 4 Banco, S.A. and Subsidiaries
Notes to the consolidated financial statements
for the year ended
December 31, 2014

1. GENERAL INFORMATION

Renta 4 Banco, S.A. (hereinafter referred to indistinctly as the Entity, the Company, the Bank or the parent) is the entity resulting from the merger by absorption, closed on March 30, 2011, of Renta 4 Servicios de Inversión, S.A. (transferee company) and Renta 4 Banco, S.A. (transferor company), the latter formerly called Banco Alicantino de Comercio, S.A. (the change of registered name having been filed with the Companies Register on June 8, 2011). Additionally, in connection with the merger, a number of changes were made to the bylaws of the transferee company, which changed its registered business name from Renta 4 Servicios de Inversión, S.A. to Renta 4 Banco, S.A. and expanded the corporate purpose of Renta 4 Servicios de Inversión S.A. to include banking activities and the delivery of the investment and auxiliary services that are typical of investment service providers. The Bank is registered with the Companies Register and in the Bank of Spain's so-called Special Register of Credit Institutions under code number 0083.

On December 19, 2011, Spain's Ministry of Finance approved the partial spin-off of the business of Renta 4, S.A., Sociedad de Valores in favor of Renta 4 Servicios de Inversión, S.A., and the amendment of the business activities of Renta 4, S.A., Sociedad de Valores.

As a result of this spin-off, Renta 4, S.A., Sociedad de Valores transferred to Renta 4, Servicios de Inversión, S.A. all of the equity associated with certain lines of business of the company spun out, which constitute an "economic unit". The economic unit was transferred *en bloc* and by way of universal succession to Renta 4 Servicios de Inversión, S.A.; the latter, as beneficiary of the spin-off, acquired, also by universal succession, all of the assets, liabilities, rights and obligations comprising the capital so spun off.

The balance sheet of Renta 4, S.A., Sociedad de Valores at December 31, 2010 was used for transaction accounting purposes. All the transactions performed by the economic unit spun out from Renta 4, S.A., Sociedad de Valores are deemed to have been performed by Renta 4 Servicios de Inversión, S.A. from January 1, 2011, inclusive, for accounting purposes.

As a result of the spin-off, Renta 4, S.A., Sociedad de Valores transferred net assets to Renta 4 Servicios de Inversión, S.A. in the amount of 13,630 thousand euros, an amount equivalent to 48.412% of Renta 4, S.A., Sociedad de Valores' total equity prior to the transaction. Accordingly, Renta 4, S.A., Sociedad de Valores decreased its capital by 2,944,826.61 euros by cancelling the shares numbered 1,047,869 to 2,031,485, both inclusive.

The Bank's corporate purpose consists of the activities typical of credit institutions in general, including the provision of investment services, the acquisition, holding, exploitation, administration and disposal of all manner of transferable securities, including specifically those itemized in article 175 of Spain's Code of Commerce and other prevailing legislation governing entities of this nature. Its corporate purpose also extends to the provision of all manner of services, including advisory services, such as those of an economic, financial, tax, stock market, organizational or IT nature, the performance of company valuations, and the placement and trading of all classes of third-party movable and immovable property.

The activities comprising the corporate purpose may also be performed in whole or in part on an indirect basis through the ownership of shares or equity investments in other companies with an identical or similar core business.

The Entity's registered office address is Paseo de la Habana 74. The Board has authorized changes in registered office within the town of incorporation. Similarly, the Entity may create, close or move its Spanish and foreign branches, agencies or sales offices as deemed necessary or advisable in the ordinary course of its business.

The Bank is the parent company of a consolidable group of credit institutions (the "Group"). The businesses pursued by the Group's subsidiaries and associates are listed in Appendix I.

The activities carried out by some of the Group companies are regulated by Spain's Securities Market Act (Law 24/1988, of July 28), as amended by Spanish Laws 37/1998, of November 16, 44/2002, of November 22, 26/2003, of July 17, Ministerial Order ECO/734/2004, of March 11 and Royal Decree 217/2008, of February 15, which establishes the legal regime governing investment service providers. In addition, undertakings for collective investment management are regulated by Law 35/2003, of November 4, as subsequently amended (by Law 31/2011 of October 4) and by Royal Decree 1309/2005, of November 4, which enacted Law 35/2003. Also, the pension fund management business is regulated by Royal Decree 1/2002, of November 29, which enacts the consolidated text of the act regulating pension plans in Spain, and subsequent enacting regulations (Royal Decree 304/2004, of February 20, enacting the pension plan and fund regulations) and amendments.

In keeping with prevailing legislation, the Bank's directors authorized the consolidated annual financial statements of Renta 4 Banco, S.A. and its subsidiaries for issue at a meeting held on March 25, 2015.

As a credit institution, Renta 4 Banco, S.A. is subject to specific legislation which regulates the following matters, among others:

- Maintenance of a minimum level of funds in a central bank of a eurozone country to cover the minimum reserve requirement. In December 31, 2014 and December 31, 2013 Renta 4 Banco, SA, met the minimum requirements.
- Maintenance of a minimum level of capital. The prevailing legislation stipulates that sufficient equity must be maintained to cover the risks assumed (note 18.j). In December 31, 2014 and December 31, 2013 Renta 4 Banco, SA, met the minimum requirements.

- Annual contribution to the Deposit Guarantee Fund, as a guarantee additional to that provided by the Entity's capital to its creditors, intended to guarantee customer deposits up to the sum of 100,000 euros pursuant to the provisions of current law (Note 22.c). In the wake of publication of Spanish Royal Decree-Law 19/2011 (of December 2, 2011), the annual contribution to the Deposit Guarantee Fund has been set at 0.2% of eligible guaranteed deposits. Royal Decree-Law 6/2013, of March 22, 2013, stipulated an exceptional contribution to the Deposit Guarantee Fund of 0.3% of the deposits held by the member entities at December 31, 2012, stipulating the contribution of the first instalment (two-fifths of the total) within the first 20 business days of 2014, net of any deductions provided for under the scope of this same piece of legislation. In order to structure the payment of this first tranche, the Management Committee of the Deposit Guarantee Fund, in a meeting held on November 22, 2013, agreed the above-mentioned deductions, as so empowered, specifically approving a deduction of up to 50% of contributions for member entities whose calculation base is less than 5 billion euros, this being the case of the parent. The second tranche of this extraordinary payment amounts to 699 thousand euros in the case of the parent.

In a meeting held on June 10, 2014, the Management Committee agreed to schedule the first instalment of this second tranche for September 20, 2014 in an amount equivalent to one-seventh of the total balance due. This payment was made on September 30, 2014 in the sum of 100 thousand euros (which is one-seventh of the 699 thousand euros due under the second tranche). In addition, in its meeting of December 17, 2014, the Committee agreed to structure the settlement of the remainder of the said second tranche into two equal instalments, payable on June 30, 2015 and June 30, 2016.

In the wake of the new accounting treatment applied to these contributions (detailed in note 2.2), the amount accrued at year-end 2014 stood at 1,065 thousand euros (1,786 thousand euros at year-end 2013) and is recognized under "Other operating expense" in the consolidated income statement.

Shareholders in general meeting (on September 29, 2007) agreed to apply for admission to listing of all the shares comprising the Company's share capital on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, as well as their inclusion on the electronic trading platform (*Sistema de Interconexión Bursátil Español*).

2. OTHER RELEVANT INFORMATION

2.1 Basis of presentation of the consolidated annual financial statements

The Group's consolidated financial statements for 2014 were approved for issue by the Directors of the Bank at their Board meeting on March 25, 2015. It is expected that the consolidated financial statements will be approved at the General Shareholders' Meeting without modification. The 2013 consolidated financial statements of Renta 4, Banco, S.A. and subsidiaries were authorized for issue on March 27, 2014 and were ratified at the Annual General Meeting held on April 28, 2014.

In keeping with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, all companies governed by the law of a European Union member state whose securities are admitted to trading on a regulated market of any member state must prepare their consolidated accounts for all years beginning on or after January 1, 2005 in conformity with the International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU").

The Group's consolidated financial statements for 2014 are presented in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union and in due consideration of the provisions of Bank of Spain Circular 4/2004 of December 22 concerning credit institutions, on public and confidential financial reporting rules and formats ("Circular 4/2004"), and its subsequent modifications, constituting the implementation and adaptation to the Spanish credit institution sector of the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for 2014 were prepared in due consideration of all accounting principles and regulations and the mandatory measurement criteria which have a significant impact thereon to give a true and fair view of the equity and financial position of the Group at December 31, 2014, and its financial performance and the changes in equity and in cash flows during the period then ended, from the date of incorporation of the Group.

Note 4 summarize the major accounting principles and regulations and measurement criteria applied to the preparation of the Group's consolidated financial statements for 2014. Note 2.9 below provide a summary of the major changes in accounting regulations during financial year 2014.

The figures provided in these consolidated financial statements are presented in thousands of euros, unless otherwise indicated.

2.2 Comparison of information

The information provided in these financial statements in respect of 2013 is presented solely to allow the reader to compare the figures with those of 2014 and accordingly does not constitute the Group's 2013 consolidated financial statements.

The balances corresponding to the year ended December 31, 2013 presented in the accompanying consolidated financial statements have been modified with respect to the consolidated financial statements issued that year as a result of (i) the change in accounting criteria implied by the early application of IFRIC 21, as urged by the Bank of Spain in a letter addressed to the banks dated December 23, 2014; and (ii) effectiveness of IFRS 10. As required under IAS 8, the figures for the year ended December 31, 2013 have been restated in order to make the information reported as comparable as possible.

IFRIC 21

The Group has opted to early apply IFRIC 21 on Levies (this interpretation is mandatorily applicable in annual periods beginning on or after January 1, 2015). Application of IFRIC 21 has changed the way the Group accounts for its ordinary contributions to the Deposit Guarantee Fund (under Royal Decree 2606/1996 and Royal Decree-Law 19/2011) and its extraordinary contributions (under Royal Decree-Law 6/2013) as follows:

- In relation to the ordinary annual contributions, these had formerly been accrued on the basis of the deposits outstanding at the end of the prior year; under IFRIC 21, at each year-end the Group will now reflect the outstanding payment obligation (derived from holding customer deposits that are guaranteed by the Fund) on the basis of year-end deposits, which are in turn used as the basis for recognizing the expense accrued for the year. This change in accounting treatment had an impact on the 2013 income statement of 79 thousand euros.

- As for the extraordinary contributions required under Royal Decree-Law 6/2013 (note 1), these had been deemed a contingent liability until 2013 as the payment schedule had not been established (having been notified by the Management Committee of the Deposit Guarantee Fund in December 2014). Due to the early application of IFRIC 21, which clarifies in relation to levies of this nature that an obligation exists regardless of certainty with respect to the associated payment schedule, the Group has decided to recognize this commitment as a change in accounting criteria retrospectively under IAS 8. This change has implied an increase in related expenditure in the 2013 income statement of 699 thousand euros. Accordingly, the total impact on the 2013 income statement amounts to 778 thousand euros (545 thousand euros after tax).

Application of IFRIC 21 implies the restatement of the comparative 2013 figures included in the following line items (the sign of the figures indicates whether the change represents an increase or decrease with respect to the figures presented in the 2013 consolidated financial statements):

Impact on the balance sheet:

	Thousands of euros	
	12/31/2013	01/01/2013
Increase – Deferred tax assets	466	233
Total assets	466	233
Increase – Other liabilities	1,554	776
Total liabilities	1,554	776
Decrease– <i>Profit attributable to parent company</i>	(545)	(543)
Decrease – Accumulated reserves	(543)	-
Total equity	(1,088)	(543)

Impact on the consolidated income statement for the year ended December 31, 2013:

	Thousands of euros	
	Income/(Expense)	
Other operating expense	(778)	
Profit before tax	(778)	
<i>Income tax</i>	233	
Net profit of the year	(545)	
<i>Of which:</i>		
<i>Profit attributable to equity holders of the parent</i>	(545)	
Earnings per share		
Continuing and discontinued operations		
Basic earnings per share (euros)	0.00	
Diluted earnings per share (euros)	0.00	
In continuing operations		
Basic earnings per share (euros)	0.00	

Impact on the statement of changes in equity for the year ended December 31, 2013:

	Thousands of euros		
	Debit/(Credit)		
	Reserves	Profit for the year	Total
Adjustments for changes in accounting policies		(543)	(543)
Total income and expense	-	(545)	(545)
Transfers between equity	(543)	543	-
Closing balance 12/31/2013	(543)	(545)	(1,088)

Impact on the cash flow statement for the year ended December 31, 2013:

	Thousands of euros
	Increase/(Decrease)
Profit after tax	(545)
Other adjustments	233
Other operating assets	(466)
Other operating liabilities	778

IFRS 10

In addition to the foregoing, on the occasion of first-time effectiveness of IFRS 10, the Group has analyzed the retrospective impact that this new standard has had on its consolidated financial statements. The main impact was the recognition of 1,821 thousand euros under "Treasury shares" within Group equity at December 31, 2014 (1,960 thousand euros at December 31, 2013 and 2,175 thousand euros at January 1, 2013). The restatements made to the comparative balance sheet figures were as follows:

Impact on the balance sheet:

	Thousands of euros	
	12/31/2013	01/01/2013
Increase – Treasury shares	(1,960)	(2,175)
Total equity	(1,960)	(2,175)
Increase - Other financial liabilities	(1,960)	(2,175)
Total liabilities	(1,960)	(2,175)

Impact on the statement of changes in equity for the year:

	Thousands of euros	
	Debit/(Credit)	
	Treasury shares	Total
Adjustments for changes in accounting policies (Jan. 1, 2013)	(2,175)	(2,175)
Transactions with equity instruments	215	215
Closing balance 12/31/2013	(1,960)	(1,960)

The impact on earnings per share:

Earnings per share	<u>12/31/2013</u>	<u>01/01/2013</u>
Continuing and discontinued operations		
Basic earnings per share (euros)	0,00	0,00
Diluted earnings per share (euros)	0,00	0,00
Continuing operations		
Basic earnings per share (euros)	0,00	0,00
Diluted earnings per share (euros)	0,00	0,00

The remaining line items did not experience significant restatements.

2.3 Use of judgments and estimates when preparing the consolidated financial statements.

The information in these consolidated financial statements is the responsibility of the Bank's directors.

When preparing the consolidated annual financial statements, the directors have made judgments and estimates based on assumptions that affect the application of accounting principles and criteria, as well as the amounts corresponding to recognized assets, liabilities, income, expenses and commitments. The most significant estimates used to prepare these consolidated annual financial statements relate to:

- Impairment losses on financial assets (note 4.h).
- Impairment and useful lives of property and equipment and intangible assets (note 4.j).
- Goodwill impairment tests (note 4.i)

When measuring goodwill, estimates must be made to determine its fair value in order to assess whether it may have become impaired. To determine fair value, the Company's directors estimate the expected cash flows from the cash-generating unit to which the goodwill is allocated, applying an appropriate discount rate to calculate the present value of these cash flows. These future cash flows depend on delivery of the Bank's five-year forecasts and projections, while the discount rates depend on the interest rate and risk premium associated with each cash-generating unit. Note 4.i analyzes the assumptions used to calculate the cash-generating units' value in use and note 14.a analyzes how sensitive the outcome is to changes in these assumptions.

- The measurement of equity instruments used in share-based payment plans for directors and employees (note 4.p).
- The fair value of certain financial assets that are not traded on official OTC markets (note 6).
- The measurement of financial risks to which the Group is exposed in carrying out its business (note 5).

The estimates and assumptions used are based on historic experience and other factors which were considered the most reasonable at the time and are reviewed periodically. Any changes to estimates resulting from such reviews or future events would be recognized in the consolidated income statement of the period and subsequent periods, in accordance with IAS 8.

2.4 Equity investments in credit institutions

The Group did not hold any equity investments in other Spanish or foreign credit institutions at either year-end 2014 or 2013.

2.5 Consolidation basis

The Group classifies its investments in subsidiaries and associates using the following criteria:

- Subsidiaries are entities over which the Group has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, it has:

- a. Power over the investee: an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns.
- b. Exposure, or rights, to variable returns: an investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative.
- c. Link between power and returns: an investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

Subsidiaries (all of which included in the consolidation scope less Renta Markets, S.A. associate entity) are fully consolidated, which implies the inclusion of all the rights and obligations comprising these entities' equity in the Group's balance sheet and of all items of income and expense used to determine profit or loss of the year in the Group's income statement.

Renta Markets, S.A., an associate, is consolidated using the equity method, under which the carrying amount of the investment is replaced by the Group's percentage interest in the investee's equity.

Consolidation is discontinued upon loss of control by the Group. When this happens, the consolidated annual financial statements reflect the deconsolidated investees' earnings for the portion of the year in which the Group did have control.

- "Associates" are investees in which the parent holds a direct or indirect investment over which it has the power to exercise significant influence, but not control or joint control. The power to exercise significant influence is usually associated with holdings of 20% or more of an investee's voting rights.

2.6 Non-controlling interests

The value of the share of non-controlling interests in equity and results for the year of consolidated subsidiaries is shown in "Non-controlling interests" on the consolidated balance sheet and "Profit attributable to non-controlling interests" in the consolidated income statements and the consolidated statement of recognized income and expense, respectively.

In acquisitions of non-recognized interests, the difference between the consideration paid and the carrying amount of the investment is recognized in equity attributable to non-controlling interests.

2.7 Uniform accounting policies

Measurement criteria have been adjusted as necessary to ensure that those followed by the subsidiaries are consistent with those used by the parent.

2.8 Elimination of intercompany transactions

The intercompany balances related to loans, dividends, asset purchases and sales and the provision of services have been eliminated in consolidation.

2.9 New accounting regulations

a) Standards and interpretations approved by the European Union that apply in this year.

The accounting regulations used in preparing the consolidated financial statements for the year ended December 31, 2014 are the same as those applied in the consolidated financial statements for the year ended December 31, 2013 except for the following modifications that apply in years beginning on or after January 1, 2014:

- IFRS 10: “Consolidated Financial Statements”

[Applicable to financial periods beginning on or after 1 January 2014]

This IFRS, which replaces SIC 12 “Consolidation - Special Purpose Entities” and certain sections of IAS 27 “Consolidated and Separate Financial Statements”, establishes the concept of control for the purposes of assessing whether an entity ought to be included in the consolidated financial statements of the parent, and also issues guidelines to be used in certain cases where measurement proves difficult.

- IFRS 11: “Joint Arrangements”

[Applicable to financial periods beginning on or after 1 January 2014]

This standard, which replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly-Controlled Entities - Non-Monetary Contributions by Ventures”, analyses the inconsistencies of reporting in relation to joint ventures, and establishes a single method to account for investments or interests in jointly-controlled entities.

- IFRS 12: “Disclosure of Interests in Other Entities”

[Applicable to financial periods beginning on or after 1 January 2014]

The standard determines the disclosure requirements for all forms of investment in other entities, including joint arrangements, associates, SPEs (Special-Purpose Entities) or SPVs, or other off-balance sheet vehicles.

- **Amendment to IAS 27: “Consolidated and Separate Financial Statements”**

[Applicable to financial periods beginning on or after 1 January 2014, with early adoption permitted]

This amends the previous IAS 27 (“Consolidated and Separate Financial Statements”). IFRS 10 (“Consolidated Financial Statements”), the origin of this amendment, referred to above, becomes applicable to consolidated financial statements, and the current guidelines of IAS 27 to separate financial statements.

- **Amendment to IAS 28: “Investments in Associates and Joint Ventures”**

[Applicable to financial periods beginning on or after 1 January 2014]

This amends the previous IAS 28 (“Accounting for Investments in Associates”), pursuant to the changes made through issuance of IFRS 10 and IFRS 11 mentioned above. The standard sets out, subject to certain requirements, application of the equity method when accounting for investments in associates and joint ventures.

- **Amendments to IFRS 10, IFRS 11 and IFRS 12: “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition guidance”**

[Applicable to financial periods beginning on or after 1 January 2014]

The amendments clarify the transition guidance for IFRS 10 “Consolidated Financial Statements”. In addition, they provide transition relief for IFRS 10, IFRS 11 (“Joint Arrangements”) and IFRS 12 (“Disclosure of Interests in Other Entities”), limiting the requirements to provide adjusted comparative information to the immediately preceding period only.

- **Amendments to IFRS 10, IFRS 12 and IAS 27: “Investment Entities”**

[Effective for annual periods beginning on or after 1 January 2014, with early adoption permitted]

The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term ‘investment entity’ to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income, or both. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosures requirements for investment entities.

- **Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”**

[Effective for annual periods beginning on or after 1 January 2014, with early adoption permitted]

The narrow scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty (CCP) as a result of laws or regulations, if specific conditions are met (in this context, a novation indicates that the parties to a contract agree to replace their original counterparty with a new one). Retrospective application is required in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

- **Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”**
[Effective for annual periods beginning on or after 1 January 2014, with early adoption permitted]
 The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.
- **Amendment to IAS 32 “Offsetting Financial Assets and Liabilities” and IFRS 7 “Disclosures – Offsetting Financial Assets and Financial Liabilities”**
 The amendments provide additional clarification regarding the requirements for offsetting financial assets and financial liabilities for the purposes of presentation on the balance sheet. In addition, the amendments introduce new disclosure requirements for financial assets and financial liabilities presented net on the balance sheet, and for those subject to an enforceable netting arrangement or similar agreement, whether or not they are presented net.

The Group has analyzed the impact, if any, of the amendments to the above-listed accounting standards; as a result of application of amended IFRS 10, it has recognized the impact of the consolidation of certain investment funds. The main impacts of application of these amendments are itemized in note 2.2 to the accompanying consolidated financial statements.

b) Standards and interpretations issued by the IASB and adopted by the European Union but not applicable in this period.

Following is a list of standards, amendments and interpretations issued by the International Accounting Standard Board (“IASB”) and endorsed by the European Union effective for annual periods beginning on or after 1 January 2014. Therefore, they have not been applied in the preparation of these annual consolidated financial statements, except in the case of the IFRIC 21.

- **IFRIC 21 “Levies”:** IFRIC 21 is an interpretation of how to account for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, which defines a provision as a liability of uncertain timing, or amount and requires a provision to be recognised when, and only when, the entity has a present obligation as a result of a past event. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation.
 The Group applied this interpretation early, for the annual period ended 31 December 2014. Changes in accounting policies resulting from the initial application of this interpretation were accounted for retrospectively as set out in IFRIC 21 in accordance with IAS 8, with the impact disclosed in Note 2.2.
- **Amendments to IAS 19 “Defined Benefit Plan: Employee Contributions”:** The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- **Fifth and Sixth Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle:** These two documents are the fifth and sixth collection of amendments to IFRSs in response to seven issues addressed during the 2010-2012 cycle and four issues addressed during the 2011-2013 cycle. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included in part of any other project. The most significant amendments affect IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 and IAS 40.
- c) ***New mandatory standards, amendments and interpretations published by the IASB pending adopting by the European Union.***

Following is a list of the main standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") that have yet to be adopted by the European Union and therefore were not applied in the preparation of these consolidated annual financial statements:

- **IFRS 9 "Financial Instruments"**
[Effective for annual periods beginning on or after 1 January 2018, with early adoption permitted]
The final version of IFRS 9, published on 24 July 2014, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.
- **Amendments to IFRS 11 "Accounting for Acquisitions of an Interest in a Joint Operation"**
[Effective for annual periods beginning on or after 1 January 2016, with early adoption permitted]
 The amendments to IFRS 11 require that the relevant principles for business combinations in IFRS 3 "Business Combinations" and other standards should be applied to the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.
- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"**
[Effective for annual periods beginning on or after 1 January 2016, with early adoption permitted]
- **IFRS 15 "Revenue Recognition"**
[Effective for annual periods beginning on or after 1 January 2017, with early adoption permitted]
- **Amendments to IAS 27 "Equity Method in Separate Financial Statements"**
[Effective for annual periods beginning on or after 1 January 2016, with early adoption permitted]
- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"**
[Effective for annual periods beginning on or after 1 January 2016, with early adoption permitted]

- **“Annual improvements to IFRSs” project (2012-2014 cycle)**

[Effective for annual periods beginning on or after 1 January 2016, with early adoption permitted]

Early adoption of the accounting standards described in letters B and C, already endorsed by the European Union, is permitted. However, the Group elected not to adopt them for these consolidated financial statements. Adoption of IFRIC 21 is not expected to have any material impact for the Group. However, their potential impact is being considered by Group management. A reliable estimate of their potential impact is not possible yet; this will depend on the content of the text finally adopted by the European Union and on the composition of the Group and its assets at the time of application.

2.10 Appropriation of results

The appropriation of 2014 and 2013 results was made based on the proposed appropriation of results included in the respective financial statements of the Group companies prepared in accordance with generally accepted accounting principles in Spain.

The appropriation of the parent's 2014 profit (determined on the basis of the accounting criteria and principles generally accepted in Spain) proposed by the directors and pending approval by the Entity's shareholders in general meeting, along with the appropriation of the 2013 profit ratified at the Entity's Annual General Meeting on April 29, 2014 is as follows:

	Thousands of euros	
	2014	2013
Reserves	1,366	3,224
Interim dividend (note 18.h)	2,558	1,941
Dividend	<u>4,127</u>	<u>855</u>
	<u>8,051</u>	<u>6,020</u>
Parent profit for the year	<u>8,051</u>	<u>6,020</u>

On March 25, 2015, the parent's Board of Director's approved the distribution of a final dividend from 2014 profit in the amount of 4,1 27 thousand euros (before withholdings).

On October 28, 2014, the parent's Board of Director's approved the distribution of an interim dividend from 2014 profit in the amount of 0.063 euros per share for a total payment of 2,558 thousand euros (both figures before withholdings). This dividend was paid on October 31, 2014 (note 18.h).

On March 25, 2014, the parent's Board of Director's approved the distribution of a final dividend from 2013 profit in the amount of 0.02101548 euros per share for a total payment of 854 thousand euros (both figures before withholdings). This dividend was paid on May 16, 2014 (note 18.h).

On October 28, 2013, the Board of Directors of the parent approved the payment of an interim dividend from 2013 profit of 0.05 euros per share, implying a total dividend payment of 1,941 thousand euros. This dividend was paid on November 13, 2013 (note 18.h).

3. SUBSIDIARIES

A list of subsidiaries of Renta 4 Servicios de Inversión, S.A. at December 31, 2014 and 2013 is provided in Appendix I.

The individual annual financial statements of the companies included in the consolidation scope are those corresponding to December 31, 2014 and 2013, respectively, except for those of Hanson Asset Management Limited (an associate), whose year-end is March 31.

The changes to the consolidation scope in 2014:

- An equity injection into Renta 4 Sociedad Agente de Bolsa, S.A., a Peruvian company, in the amount of 662 thousand euros.
- An equity injection into Renta 4 Chile Corredores de Bolsa, S.A., a Chilean company, in the amount of 814 thousand euros.
- An equity injection into Renta 4 Chile S.p.A., a Chilean company, in the amount of 1,740 thousand euros.
- An equity injection into Renta 4 Chile S.L., a Chilean company, in the amount of 730 thousand euros.
- An equity injection into Renta 4 Colombia S.A.S., a Colombian company, in the amount of 262 thousand euros and payment of capital calls in the amount of 37 thousands euros.
- An equity injection into Renta 4 Pensiones S.G.F.P. in the amount of 601 thousand euros.
- Payment of capital calls at Renta 4 Inversiones Inmobiliarias, S.A. in the amount of 46 thousand euros.
- Incorporation of W4 Investment Advisory Limited with capital of GBP1.

The changes in the Group's investments in associates in 2014:

- Incorporation of Aria Capital 2014, S.R.L. on May 29, 2014, with a capital contribution of 4 thousands euros (fully paid) to give it a 40% shareholding, which was later sold for 3 thousand euros.
- On February 19, 2014, Renta 4 Banco, S.A. agreed to acquire an interest in the UK's Hanson Asset Management Limited ("HAM"); specifically, it took a 14.99% shareholding by means of participation in a rights issue. It paid 1,229 thousand euros (GBP 1,000 thousand) for this shareholding. The investment in this entity is accounted for as an investment in an associate: significant influence is deemed to exist by virtue of the Renta 4 Group's representation on this investee's Board of Directors (one seat).
- In addition, the interest in Mercor Global Plus SICAV was recognized at 2,879 thousand euros.

The changes to the consolidation scope in 2013:

- Incorporation of Renta Colombia SAS on September 13, 2013, with capital of COP191,900 thousand (equivalent to 75 thousand euros), 50% of which injected by Renta 4 Banco, S.A. (which owns 100% of the newly incorporated company's capital).
- Incorporation of Renta 4 Sociedad Agente de Cambio y Bolsa on November 18, 2013, with capital of PEN1,809 thousand (equivalent to 487 thousand euros), injected by Renta 4 Banco, S.A. (99.9999% interest) and an individual investor (0.0001%).
- An increased ownership interest in Renta 4 Chile SpA by means of the capitalization of the 1,660 thousand euro loan owed by this company to Renta 4 Banco, S.A. An additional 300 thousand euro equity injection in order to acquire 30% of Renta 4 Corredores de Bolsa, S.A. by means of the early exercise of the buyer's call option (note 18.I).

4. MEASUREMENT PRINCIPLES AND CRITERIA

The valuation principles and criteria applied in the preparation of the 2014 consolidated financial statements are as follows:

a) Principles of going concern and accrual

The information set forth in these consolidated financial statements has been prepared on the basis that the Group will continue as a going concern for the foreseeable future. This assessment was made taking into consideration the following risk factors and attendant mitigating circumstances:

The most significant risk factors in relation to the Entity's ability to continue as a going concern are:

- The existence of a protracted and deep recession in Spain and abroad, which is having a material impact on all sectors of the economy, with specific ramifications for the financial sector.
- The ongoing increase in non-performing debt levels.
- Stock market volatility and continued corrections, coupled with the sovereign debt crisis.
- Difficulty in renewing wholesale funding lines and higher borrowing costs.

The related mitigating circumstances are:

- The Bank's continued solid customer base.
- Access to European Central Bank liquidity.
- Capital in excess of current requirements and capital buffers such as the conversion of bonds into shares (note 18.j).

b) Accrual accounting

Except in respect of the statement of cash flows, these consolidated financial statements have been prepared on an accrual basis, i.e. income and expense is recognized when earned or incurred, respectively, regardless of when actual collection or payment occurs.

c) Offsetting balances

Debit and credit balances arising as a result of transactions are offset and therefore presented at the corresponding net amount on the balance sheet only when related contracts or applicable legislation allows the possibility of offsetting them and the entity intends to liquidate them at their net amounts or realize the related assets and simultaneously pay the corresponding liabilities. The presentation in the accompanying consolidated financial statements, prepared under IFRS-EU, of financial assets subject to impairment net of any such impairment is not considered 'offsetting' for these purposes.

d) Transactions in foreign currency

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

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

- Monetary assets and liabilities denominated in foreign currency are translated at the average spot euro rate published by the European Central Bank at the balance sheet date.
- Income and expenses are translated at the exchange rate on the date of the transactions.

All differences are recognized in the consolidated income statement.

At year-end 2014, the Group's currency-denominated assets and liabilities amounted to 15,860 and 11,188 thousand euros, respectively. At year-end 2013, the Group's currency-denominated assets and liabilities amounted to 20,184 and 12,817 thousand euros, respectively.

e) Revenue recognition

In general, revenue is measured at the fair value of the consideration received or to be received, excluding discounts, credits and rebates. When delays occur with respect to actual receipt of goods or services, fair value is determined based on discounted future cash flows.

The recognition of revenue in the consolidated income statement or in equity depends on whether the following conditions are met:

- The amount can be estimated reliably.
- It is probable that economic benefits will flow to the Group.
- The information can be verified.

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

Interest income and expense, dividends and similar income and expense

As a general rule, interest and similar income and interest and similar expense are recognized for accounting purposes as they accrue in keeping with the effective interest method defined in IAS 39. Dividends received from companies other than those included in the Group's consolidation scope are recognized as revenue when the consolidated entities become entitled to receive them.

However, when a debt instrument is deemed impaired individually or as a result of belonging to a category of instruments deemed impaired on account of remote likelihood of recovery, the interest these instruments accrue ceases to be recognized in the consolidated income statement. Such interest is instead recognized as revenue when it is collected.

Fees, commissions and similar items

Fee and commission income and expense that does not have to be factored into the calculation of the various transactions' effective interest rates and/or is not part of the cost of acquiring financial assets or liabilities other than those classified at fair value through profit or loss is recognized in the consolidated income statement using a series of accounting criteria depending on the nature of the related fees and commissions. The most significant categories and their recognition criteria are as follows:

- Fees and commissions related to the acquisition of financial liabilities designated at fair value through profit or loss, which are recognized upon settlement.
- Fees and commissions deriving from transactions or services that are provided over time, which are recognized in the consolidated income statement over the life of the related transactions or services.
- Fees and commissions corresponding to a significant act, which are recognized in the consolidated income statement when the underlying act takes place.

Non-finance income and costs

These items are recognized on an accrual basis.

Deferred collections and payments

Deferred income and expense is recognized at their present value, calculated by discounting the forecast cash flows at market rates.

f) Financial instruments

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

f.1) Financial assets

Financial assets are, inter alia, cash balances, deposits at financial institutions, customer loans, debt securities, equity instruments of another entity except those of subsidiaries, joint ventures or associates and derivatives held for trading.

The Group classifies its financial assets into the following portfolios for valuation purposes:

- Financial assets held for trading: financial assets created or acquired that are held for the purpose of selling in the near term or that are part of a portfolio (trading portfolio) of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. It also includes derivatives that are not designated as hedging instruments. Financial assets held for trading are shown at fair value, which is calculated based on their listed value at the consolidated balance sheet date. Changes in fair value are recognized in the consolidated income statement.
- Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market, that may or may not be designated at fair value and whose total initial investment the Group expects to recover, other than because of credit deterioration. The category primarily includes any type of loan or deposit lent to financial institutions, unlisted debt securities and temporary debit balances (brokerage) of Group customers. Receivables are recognized in the consolidated balance sheet at amortized cost using the effective interest rate method. The Group makes provisions for bad debts to cover balances of a certain age or if circumstances exist that raise doubts about the solvency of the debtor. Impairment losses on accounts receivable for intermediation are determined taking into consideration the value of securities used as guarantees.
- Available-for-sale financial assets: those financial assets not classified in any of the preceding categories.

Subsequent to initial recognition, financial assets are measured at fair value.

The fair value of a financial instrument at a given date is the amount for which it could be bought or sold between two knowledgeable parties on an arm's length basis.

The fair value of a financial instrument is the price which would be paid for it on a high-volume, transparent organized market ("quoted price" or "market price"). The fair value of a financial instrument for which there is no market price is estimated using the fair value in recent arm's length transactions, or other valuation techniques used by the international financial community bearing in mind the specific features of the instrument and, especially, factors inherent to the financial instrument.

Following initial recognition, these financial assets are measured as follows:

- The financial assets categorized as 'held for trading' or 'available-for-sale' are measured at fair value, without deducting any transaction costs that may be incurred in connection with their sale or disposal by other means.
- Financial assets classified as 'loans and receivables' are measured at amortized cost.

Financial assets are derecognized from the Group's consolidated balance sheet when the contractual rights to receive cash flows from the assets have expired or the Group has transferred these rights and either has transferred substantially all the risks and rewards of the assets, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. In the last case, when control of the assets has not been transferred, the asset is recognized to the extent of the Group's continuing involvement in the asset; i.e. at an amount equal to the Group's exposure to changes in the value of the transferred financial asset.

Impairment losses incurred on financial instruments are accounted for in keeping with the criteria detailed in note 4.h).

f.2) Financial liabilities

Financial liabilities have been classified into the following categories for measurement purposes:

- Financial liabilities held for trading: financial liabilities issued with a view to buying them back in the near future. This portfolio includes derivatives, to the extent that they are not hedging instruments.
- Financial liabilities at amortized cost: this category of financial instruments contains financial liabilities that have not been included in any of the above category.
- Compound financial instruments: a compound financial instrument is a non-derivative financial instrument that includes both liability and equity components simultaneously. Both components are recognized, measured and presented separately.

Upon initial recognition, financial liabilities (both financial liabilities held for trading and carried at amortized cost) are measured at fair value. Subsequent to initial recognition, all financial liabilities are measured at amortized cost, except for those classified as financial liabilities held for trading, which are measured at fair value.

The criteria used to account for and measure compound financial instruments upon initial recognition are as follows:

- a) The liability component is assigned the fair value of a similar standalone liability.
- b) The fair value of the liability component is deducted from the fair value of the instrument as a whole; the resulting residual amount is the amount attributed to the equity component.
- c) Transaction costs are allocated in the same proportion.

Except in the event of an error, the measurement made upon initial recognition is not subsequently revised.

Gains and losses on compound financial instruments are allocated to each of its components on a consistent and logical basis.

Financial liabilities are derecognized when the corresponding obligation is extinguished.

f.3) Gains and losses on financial instruments

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

- For financial instruments classified as 'held for trading', changes in fair value are recognized directly in profit or loss.
- For financial instruments carried at amortized cost, fair value changes are recognized when the financial instrument is derecognized, or impaired in the case of financial assets.
- For financial instruments classified as 'available-for-sale', changes in fair value are recognized directly in equity as 'Valuation adjustments' until the investment is derecognized, at which time the gain or loss previously deferred in equity is taken to profit or loss. Impairment losses, if any, are recognized profit or loss.

f.4) Fair value and amortized cost of financial instruments

The fair value of a financial instrument at a given date is the amount for which it could be bought or sold between two knowledgeable parties on an arm's length basis. The most objective and normal reference for the fair value of a financial instrument is the price that would be paid for it on a deep, transparent, organized market ("quoted price" or "market price").

When a market publishes the supply and demand prices for a given instrument, the market price for a purchased asset or a liability to be issued is the bid price (demand), whereas the price for an asset to be purchased or a liability issued is the ask price (supply). If there is relevant market making activity or it can be demonstrated that the positions can be closed - settled or hedged - at the average price, then this average price is used. The fair value of a financial instrument for which there is no market price is estimated using the current fair value in recent transactions of similar instruments or, failing this, using valuation models that have been sufficiently contrasted by financial markets, in due consideration of the specific characteristics of the instrument to be appraised, especially the various risk factors inherent to the financial instrument.

The valuation techniques employed to estimate the fair value of a financial instrument meet the following requisites:

- The most consistent and appropriate financial and economic methods are used, which have demonstrated that they provide the most realistic estimate of the price of the financial instrument.
- These methods are habitually used by market operators to value this type of financial instrument, such as discounted cash flow models, option pricing models based on market conditions and not arbitration etc.
- They maximize the use of available information both in terms of observable data and recent transactions with similar characteristics, and restrict as much as possible the use of non-observable data and estimates.
- They are widely and sufficiently documented, including the reasons why they have been chosen in preference to other possible alternatives.
- The valuation methods chosen are used consistently over time, provided there are no grounds to modify the reasons for choosing them.

- The validity of the valuation models is assessed on a periodic basis, using recent transactions and current market data.

They take account of the following factors: the time value of money, credit risk, exchange rates, commodity prices, equity prices, volatility, market liquidity, risk of early cancellation and administration costs.

Specifically, the proxy for determining the fair value of financial derivatives traded on deep, transparent, organized markets included in trading portfolios is their daily quote price which, if unavailable on a given date due to exceptional circumstances, is measured using methods similar to those applied when valuing derivatives not traded on organized markets.

The proxy for determining the fair value of derivatives not traded on organized markets or traded on organized markets that are not deep or transparent is the sum of future cash flows originated by the instrument, discounted at the valuation date ("present value" or "marked-to-market value") by applying valuation methods widely used in finance markets: "net asset value" (NAV), option pricing models etc.

Amortized cost is deemed the purchase price of a financial asset or liability adjusted (upwards or downwards, as applicable) by repayments of principal and interest and, plus or less, as applicable, the portion allocated to the consolidated income statement, using the effective interest method, of the difference between the initial amount and the repayment value of these financial instruments. In the case of financial assets, amortized cost also any impairment loss.

The effective interest rate is the discount rate that exactly matches estimated total future cash payments and receipts over the remaining lifespan of the financial instrument, with no consideration of future credit risk losses. In the case of fixed-interest financial instruments, the effective interest rate matches the contractual rate of interest established at the time of purchase, adjusted where necessary for commissions and transactions costs which, in accordance with the provisions of IAS 39, must be included in the calculation of the effective interest rate. In the case of variable-interest financial instruments, the effective interest rate is estimated in a similar fashion as for fixed-interest transactions, and is recalculated on each contractual rate reset date, in view of any changes to the transaction's future cash flows.

g) Reclassification of financial instruments between portfolios

The Group did not reclassify any financial instruments between portfolios in either 2014 or 2013.

h) Impairment of financial assets

A financial asset is deemed impaired and an impairment loss is recognized when there is objective evidence of one or more events that imply:

- An adverse impact on the future cash flows estimated when the transaction was arranged in the case of debt instruments (loans and debt securities).
- The potential inability to recover the asset's carrying amount in the case of equity instruments.

The situations deemed by the Group to constitute objective evidence that a financial instrument may be impaired, triggering specific analysis of the financial instruments in question in order to determine the amount of the potential impairment loss, include those itemized in paragraph 59 of IAS 39 and, specifically, in the case of debt instruments, those listed in Appendix IX of Bank of Spain Circular 4/2004, as subsequently and successively amended.

More specifically, the situations deemed by the Group to constitute objective evidence of a financial instrument's potential impairment include the following:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that it would not otherwise consider, complying at all times with applicable legislation to this end;
- increasing probability that the borrower will enter bankruptcy or other financial reorganisation related to its inability to service its payment obligations;
- the disappearance of an active market for that financial asset because of financial difficulties on the part of the borrower or the counterparty to the risk assumed by the Group; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of similar financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments, borrowers that present an inadequate financial structure or any other form of difficulty in meeting their payment obligations); or
 - ii) national or local economic conditions that correlate with defaults on the assets in the group.
- in the case of investments in equity instruments, the Group considers information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment, although such evidence requires the Group to analyze whether the decline really corresponds to a conclusive impairment of the investment such that the Group may not recover the cost of its investment.

As a general rule, and notwithstanding the following paragraphs in this note, corrections in the carrying value of financial instruments owing to impairment is charged to the consolidated income statement in the period in which the impairment occurs. Any recoveries of previously recorded losses from impairment are recognized in the consolidated income statement of the period in which the impairment is eliminated or reduced.

When the possibility of recovery of a recorded amount is considered remote, the amount is removed from the consolidated balance sheet, without prejudice to any actions consolidated entities may take to seek to achieve collection until their rights have fully expired, whether from prescription, forgiveness or other causes.

Below are the criteria applied by the Group to determine possible losses from impairment in each of the categories of financial instruments and the method used to record the impairment:

h.1) Debt instruments measured at amortized cost

The amount of impairment losses on these instruments is any positive difference between their respective carrying amounts and the present values of their estimated future cash flows.

Estimates of the future cash flows of debt instruments take into account the following:

- All sums expected to be received during the expected life of the instrument; including, if applicable, those originating in guarantees securing it, following deduction of the necessary costs for foreclosure and subsequent sale. Impairment loss includes an estimate of the possibility of collecting accrued interest that is overdue and unpaid.
- The types of risk to which each instrument is exposed, and
- The circumstances under which collection is expected to occur.

Subsequently, these cash flows are discounted using the effective interest rate of the instrument - if the contractual rate is fixed - or the effective contractual interest rate on the revision date, if the rate is variable.

As an exception to this procedure, in the case of listed debt instruments, market value is deemed a reasonable estimate of the present value of the instruments' future cash flows.

With regard to impairment loss caused by insolvency risk on the part of the debtor (credit risk), a debt instrument is considered impaired due to insolvency:

- When an impairment occurs in the payment capacity of the debtor, as shown by non-payment or other reasons, and/or
- Owing to the existence of 'country risk', understood as the risk incurred by debtors residing in a given country for circumstances other than normal commercial risk.

The process of evaluating and estimating possible impairment losses on these assets is carried out:

- Individually for all significant debt instruments and for those which are not significant but which cannot be classified in homogeneous groups of instruments with similar characteristics according to the type of instrument, the debtor's sector of activity and geographic area of activity, type of security, age of the amounts overdue, etc.
- Collectively: The Group has classified transactions according to the type of debtors and the conditions of the country in which they reside, the situation of the transaction and the type of guarantee it carries, the age of the amounts overdue, etc. and sets for each of these risk groups the impairment losses ('identified losses') to be recognized in the annual financial statements of the consolidated companies.

In addition to individually identified impairment losses, the Group recognizes a 'general' overall impairment provision or allowance in respect of exposures deemed 'standard', losses that have not, accordingly, been allocated to specific transactions. The amount of this provision is calculated by applying the parameters stipulated by the Bank of Spain on the basis of the historical experience of impairment and information in respect of the Spanish banking sector.

h.2) Debt instruments classified as available for sale

Impairment loss on debt securities in the portfolio of financial assets available for sale is equal to any positive difference between the acquisition cost - net of any amortization of principal - and fair value, net of any impairment loss previously recognized in the consolidated income statement.

The procedure followed by the Group to estimate impairment losses caused by the insolvency of the issuer of debt securities classified as available for sale coincides with the criteria explained in section h.1 for debt instruments recognized at amortized cost.

If objective evidence exists that the fair value losses on these assets have arisen from their impairment, these losses are removed from "Valuation adjustments - Available-for-sale financial assets" within equity in the consolidated balance sheet and are recognized at the full accumulated amount accumulated in the consolidated income statement. If all or part of the impairment losses are subsequently recovered, the reversal is recognized in the consolidated income statement in the period when recovery occurs.

h.3) Equity instruments classified as available for sale

Impairment loss on equity securities in the portfolio of financial assets available for sale is equal to any positive difference between the acquisition cost - net of any amortization of principal - and fair value, net of any impairment loss previously recognized in the consolidated income statement.

The criteria applied in recording impairment losses on equity instruments classified as available for sale are similar to those applied to debt instruments (as explained in note h.1); except that any recovery of such losses is recognized in "Valuation adjustments - Available-for-sale financial assets."

For listed equity instruments, the Group's criteria for assessing indications of impairment consist, first, of a prolonged or significant fall in market value, for which time or percentage ranges are estimated in order to compare the average cost with the stock market price of the instrument. Specifically, the time or percentage ranges established in Group policies consist of a 40% decrease in the stock market price against the average acquisition cost or a sustained decrease in the list price over 18 months. The Group also deems situations in which the issuer has declared, or is likely to declare, insolvency or faces significant financial difficulties to be indications of impairment. Hence, objective evidence is stronger in decreases of 40% in the list price for a continuous period of a year and a half.

Once an indication of impairment is identified under the foregoing parameters, a specific analysis is carried out of the fundamental metrics of the instrument to confirm or disprove the need for provisions.

h.4) Equity instruments measured at cost

Impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of the estimated future cash flows, discounted according to the market performance of similar securities.

Impairment losses on these assets are recorded in the consolidated income statement of the period in which they occur and directly reduce the cost of the instrument. These losses can be recovered subsequently only if the assets are sold.

i) **Goodwill and other intangible assets**

Goodwill

Goodwill represents the excess of the cost of the acquisition of subsidiaries over the fair value of the net assets acquired at the date of acquisition.

When the acquisition of new investments entails deferred payment, cost includes the present value of the outstanding balance.

Goodwill is not amortized. It is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment detected is recognized in the consolidated income statement immediately. Impairment losses relating to goodwill cannot be reversed in future periods.

For calculating the impairment loss, goodwill is allocated to the cash generating units and an estimate is made of the recoverable amount of the asset, which is considered to be the higher of fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

On the sale or disposal of an investment in a Group company or associate, any goodwill allocated to the company is included in the gain or loss recognized from the sale or disposal.

Other intangible assets

The Group recognizes under "Other intangible assets" its computer software and the customer relationships or portfolios arising from the acquisitions of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. in December 2006. The Group has also recognized the customer portfolios deriving from the acquisition of Renta 4 Chile Corredores de Bolsa (note 14).

This heading includes amounts paid to acquire software and software licenses. Software maintenance costs are recorded directly in the year incurred and amortized on a straight-line basis over a three-year period from the date the software is put to use.

The “Customer relationships” acquired as a result of the acquisition in December 2006 of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. are being amortized on a straight-line basis over a period of eight years (their useful life), which is the period of time during which management expects to be able to maintain these relationships, estimated using the best available information. The “Customer relationships” acquired as a result of the acquisition in 2012 of Renta 4 Chile Corredores de Bolsa, S.A. are being amortized on a straight-line basis over a period of seven years (their useful life), which is the period of time during which management expects to be able to maintain these relationships, estimated using the best available information.

j) Property and equipment

This heading includes buildings, land, furniture, vehicles, computer equipment and other installations owned by the Group or acquired under finance leases.

Plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value.

The cost of these assets includes the amounts initially disbursed for acquisition or production, as well as any amounts paid subsequently for expansion, replacement or improvement of assets, when the Group expects to obtain economic benefits from continuing use of the assets.

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

The Group has considered that cost at the IFRS transition date (January 1, 2005) was the carrying amount recognized under the generally accepted accounting principles in Spain at January 1, 2005.

Investment property recognizes the net carrying amount of a building (including the land) which is held for rent.

The acquisition or production cost of plant and equipment, net of the residual value, is depreciated on a straight-line basis over the useful life of the assets, as follows:

	<u>Years of useful life</u>	<u>Depreciation rates</u>
Buildings and other construction	50	2%
Investment property		
Buildings	50	2%
Installations	10 – 12.5	8% - 10%
Machinery, installations and tools	10 – 12.5	8% - 10%
Furniture and fittings	10	10%
Transport equipment	7	14%
Data processing equipment	4 – 7	15% - 25%
Other property and equipment	5	20%

Property and equipment are derecognized when disposed of or when permanently retired from use and no future economic benefits are expected from them following disposal, transfer or abandonment. The difference between their sales price and their carrying amount is recognized in the income statement of the period in which the asset is derecognized.

The Group periodically assesses whether there are any internal or external indications that the carrying amounts of property and equipment may be impaired at the consolidated balance sheet date. For identifiable assets, it estimates the recoverable amount, which is considered to be the higher of (i) the asset's fair value less costs to sell and (ii) its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount in the consolidated income statement.

Leases

The Group classifies leases based on the economic substance of the arrangement regardless of whether they are set up as finance or operating leases.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are charged directly to the consolidated income statement. Assets acquired under finance leases are classified on the consolidated balance sheet based on the nature of the asset.

Operating lease payments are recognized as an operating expense as accrued over the term of the lease contracts.

Leases under which the Group acts as lessor and retains substantially all the risks and benefits inherent to ownership of the leased asset are classified as operating leases. The direct costs incurred upfront to negotiate an operating lease are added to the carrying amount of the leased asset and are recognized over the term of the lease using the same criteria used to recognize lease income. Contingent rents are recognized in income in the year in which they are collected.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and demand balances at financial intermediaries.

l) Treasury shares

Parent company shares held by the Group are deducted from equity. No gain or loss is recognized on transactions with treasury shares in the income statement, but directly in equity. If treasury shares are reissued, any difference between their carrying amount and the consideration received is recognized in the "Share premium" account.

Convertible bonds are separated into their liability and equity components on the basis of the terms of the related contracts. When convertible bonds are issued, the fair value of the liability component is determined using the market rate of interest for equivalent non-convertible instruments. This amount is classified as a financial liability at amortized cost (net of related transaction costs) until it is extinguished as a result of conversion or repayment. The remaining measurement amount is allocated to the conversion option and is recognized in equity. Transaction costs are deducted from equity, net of the associated tax effect. The carrying amount of the conversion option is not remeasured in subsequent years. The transaction costs associated with convertible bonds are divided between the liability and equity components in proportion to the initial distribution of the liability and equity components upon initial recognition of the instrument.

m) Provisions

Liabilities present at the consolidated balance sheet date, arising as a result of past events regarding which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, but are uncertain in terms of amount and cancellation date, are recognized in the consolidated balance sheet under provisions at the present value of the amount that the Group deems most likely will have to be paid to settle the obligation. Provisions are quantified taking into consideration the best available evidence on implications of obligating events and are re-estimated at every balance sheet close.

At December 31, 2014, and December 31, 2013, the provisions recognized on the consolidated balance sheet correspond to Renta 4, Gestora, S.G.I.I.C., S.A. and the parent and mainly cover certain business-related liabilities and third-party claims.

Contingent liabilities recognized in connection with a business combination

Contingent liabilities recognized in connection with a business combination are initially measured at fair value. Subsequent to initial recognition, they are measured at the higher of the amount that would be recognized under the criteria for recognizing provisions, detailed above, and the amount initially recognized, less any accumulated amortization recognized using the criteria applied to account for ordinary income.

Additions to and the release of provisions deemed necessary in keeping with the above criteria are recognized with a credit or charge, respectively, to "Provision expense (net)" in the consolidated income statement.

n) Income tax

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

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

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

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

The Group reviews the carrying amounts of deferred tax assets and liabilities recognized, at least at each balance sheet date, and record the corresponding adjustments for deferred taxes which have lapsed or are considered recoverable. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

o) Fee and commission income

This heading includes fees and commissions for brokerage, asset management and custodian services and other income related to the Group's activities (e.g. underwriting, placement). Fee and commission income is recognized in the consolidated income statement as the service is rendered or, in the case of services executed via a single act, upon execution of the act.

p) Employee benefits expense

Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount payable in exchange for services received. These benefits are generally recognized as employee benefit expense for the year; any difference between the expense accrued and the amount paid at year-end is recognized as a liability.

Share-based payments

The Group has a share-based payment plan for its management and employees which grants them the option of acquiring shares of Renta 4 Servicios de Inversión S.A. (the Group's parent company). This stock option plan is known as the 2009 Plan.

2009 Stock option plan

This stock option plan was approved on December 22, 2009 and its main terms are as follows:

- No. of shares to be granted: 1,627,728 shares representing 4% of the parent company's share capital.
- Term: five years, the first grant taking place on January 15, 2011, with the remaining shares being granted on that same date during the next four years.
- Beneficiaries: the 2009 Plan is available to all Group directors, managers, and employees; each year the Appointments and Remuneration Committee of the parent company's Board of Directors proposes the beneficiaries on a case-by-case basis. Entitlement is not contingent upon minimum seniority.
- Economic terms and conditions: the exercise price for beneficiaries has been set at 6 euros per share.

In 2009, when the plan was approved, the stock options granted to employees were measured using a generally accepted valuation methodology at 661 thousand euros.

The implicit liability associated with the 2009 Plan was arranged initially with Banco Madrid, S.A. On June 5, 2012, the parent and Banco Madrid, S.A. agreed the early cancellation of the above agreement (note 18.g).

On September 27, 2012, the parent arranged a physically-settled equity swap with Banco Español de Crédito, S.A. (Banesto) related to the 2009 Plan covering 2010-2014. This swap replaces the agreement terminated with Banco Madrid.

On November 27, 2012, the parent's shareholders approved the partial amendment of the 2009 Plan at an extraordinary general meeting, setting the exercise price at 4.75 euros per share and leaving all other terms unchanged. At the time of amending the terms of the 2009 Plan, the option granted to Renta 4 Group employees was valued using a generally accepted valuation method at 82 thousand euros.

On November 14, 2013, the parent cancelled the physical-settlement equity swap it had arranged with Banco Español de Crédito, S.A. (Banesto) (currently Banco Santander, S.A.), derecognizing the associated implicit financial liability, which at the time of derecognition amounted to 3,094 thousand euros (notes 16.b).

The Group recognizes in the consolidated income statement the cost of the plan during the accrual period, deemed the period elapsing between the date the plan was approved (December 22, 2009) and each grant date. Cost was determined as the difference between the amount to be paid by eligible employees and the estimated fair value of the shares to be delivered, i.e., at the intrinsic value of the option granted to employees. This estimate takes into consideration the plan's percentage uptake, which in 2014 and 2013 was zero: experience dictated that no beneficiary would exercise their call options.

At each stock option grant date, the Remuneration Committee determines the number of shares to be granted and to whom on the basis of personal job performance evaluations and delivery of the Group's overall targets.

The cost recognized in the consolidated income statement each year calculated in accordance with the criteria indicated above is debited to "Other equity instruments" in equity for the year, since the settlement of the plans require physical delivery of the shares. No expenses were recognized in the consolidated income statements in either 2014 or 2013 in this connection.

2012 stock option plan

In an extraordinary general meeting held on November 27, 2012, the parent's shareholders approved a bonus scheme targeted at executive directors, members of the Executive Committee and the Renta 4 Group employees determined by the Board of Directors consisting of the conditional and restricted award of shares of Renta 4 Banco, S.A., known as the 2012 Plan.

The key characteristics of the 2012 Plan are the following:

- Maximum number of shares to be granted: 203,466 shares, representing 0.5% of the parent's share capital, broken down as follows: a maximum of 50,866 shares for the executive directors, 50,866 shares for the members of the Executive Committee and 101,734 shares for the Renta 4 Group employees determined by the Board of Directors.
- Beneficiaries: the 2012 Plan is targeted at the executive directors, the members of the Executive Committee and the Renta 4 Group employees determined by the Board of Directors.

- Term of the Plan and timing of share delivery: the 2012 Plan has a term of two years and three months (the "Vesting Period"). At the end of the Vesting Period, the Board of Directors, at the recommendation of the Appointments and Remuneration Committee, shall calculate the level of delivery of the benchmarks that determine delivery of the shares to the beneficiaries, to which end it may engage the services of an independent expert.
- Terms and conditions: the number of shares to be awarded to each of the beneficiaries shall be conditional upon delivery of the benchmarks determined by the Board of Directors at the recommendation of the Appointments and Remuneration Committee.
- Powers vested in the Board of Directors: the Board of Directors is vested with the power to determine the beneficiaries, the benchmarks delivery of which shall determine the number of shares to be awarded, the share delivery date and the applicable rules and to draft the document containing the terms and conditions of the 2012 Plan.

On December 21, 2012, the parent arranged a physically-settled equity swap with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) related to the 2012 Plan and, elsewhere, to the call option on a 30% interest in Renta 4 Chile Corredores de Bolsa, S.A.

On November 15, 2013, the parent cancelled the physical-settlement equity swap it had arranged with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), derecognizing the associated implicit financial liability (which was carried at 2,832 thousand euros at December 31, 2012)

The effectiveness of the two-year 2012 Plan finalized prior to year-end 2014.

Other employee benefits

At December 31, 2014, the Group had granted loans to several employees to finance the purchase shares of Renta 4 Banco, S.A. totaling 540 thousand euros (year-end 2013: 586 thousand euros); these loans were secured by collateral valued at 802 thousand euros (year-end 2013: 854 thousand euros). The acquisitions were funded with interest-free loans due 15 years from the transaction date in accordance with the repayment schedule agreed in the contracts. The difference between the present value of the amounts payable by the employee and the sale price is recognized in the consolidated income statement as an employee benefit expense. The expense recognized for this item in the 2014 and 2013 consolidated income statements was 10 and 25 thousand euros, respectively (see note 22.d).

Pension commitments

The Group classifies its pension commitments as defined contribution, whereby it is only required to make defined contributions to a third party, or as defined benefit, where it agrees to pay an amount based on variables such as age, years of service and salary when the contingency arises. The Group's obligations are as follows:

Renta 4, Sociedad de Valores, S.A.

In keeping with the collective bargaining agreement in force at Renta 4, Sociedad de Valores, S.A., the Group is committed to paying employees that come from the former brokerages seniority bonuses after 25, 35 or 45 years of continued service. The Group has not provisioned any amount in this respect as the directors deem the amounts accrued at year end not to be material.

Also according to this collective labor agreement, this company must provide coverage of early retirement, death and disability contingencies to employees covered by the collective labor agreement applicable to brokerage companies and broker dealers in the Autonomous Community of Madrid. This company is meeting these obligations by setting up a defined benefit pension plan.

In addition, for employees not covered under this agreement, the Group covers the retirement, disability, death, severe or major dependency contingencies through a defined contribution plan since 2006 with an annual contribution of 600 euros per employee.

Renta 4 Banco, S.A., Renta 4 Corporate, S.A., Renta 4 Gestora, S.G.I.I.C., S.A. and Renta 4 Pensiones, S.G.F.P., S.A.

Since 2007, the Group provides employees of these companies' coverage of retirement, disability, death, severe or major dependency contingencies through two defined contribution plans with an annual contribution of 600 euros per employee.

Defined contribution plan

Defined contributions are measured at fair value unless they are to be paid prior to the twelve months following the date of the consolidated financial statements in which the corresponding employee services were received, in which case the related amount is not updated. Contributions accrued for this concept during the year are recognized under "Employee benefits expense" in the income statement. The contributions recognized as an expense in the income statement amounted to 207 thousand euros in 2014 and 187 thousand euros in 2013 (note 22.d).

Defined benefit plan

The Group measures the present value of the implicit legal obligations for its defined benefit plan at the consolidated balance sheet date after deducting the cost of past services pending recognition and the fair value of the assets assigned to the plan as stipulated in prevailing legislation. The figure thus obtained is recognized as a provision for defined benefit pension funds.

The Group considers plan assets to be those that meet the following requirements:

- The assets are owned by a legally separate third party that is not a related party.
- The assets are exclusively available to pay or finance commitments with employees.
- The assets may not be returned to the Group unless the commitments with employee have been settled or used to reimburse the Group for benefits previously paid.
- The assets may not be instruments that the Group is entitled to transfer.

The Group recognizes the total net amount of the current service cost, interest cost on benefit obligation, the expected return on plan assets, past service costs and the effect of any reduction or settlement of the plan in the consolidated income statement of the year.

The Group immediately recognizes past service cost as an expense in the income statement unless changes to the plan are contingent on the employee remaining at the Group over a specific period of time, in which case the past service cost is recognized on a straight-line basis over said period.

"Actuarial gains and losses" are gains or losses arising from differences between previous actuarial assumptions and what has actually occurred, and from changes in the actuarial assumptions used. They are recorded entirely on the consolidated income statement for the year in which they occurred.

Expenses incurred by the Group in 2014 and 2013 related to its defined benefit obligations amounted to 8 and 5 thousand euros, respectively (Note 22.d).

The Renta 4 Group externalized all of its pension commitments to employees in keeping with Spanish Royal Decree 1.588/1999 of October 15, by means of the incorporation of pension plans and the arrangement by these plans of insurance with a non-Group company. These commitments are therefore covered by the plan assets under the corresponding insurance policies and the related commitments are presented net of these assets. The plan assets under the aforementioned insurance agreements (mathematical provision) coincided at both year-ends with the commitments assumed so that no amount is recognized on the balance sheet in this connection.

The commitments assumed are linked to the insurance policy as the risks intrinsic to these commitments have been transferred to the insurer. The risks transferred include interest rate risk, as the contracts 'immunize' the Group from exposure to rate changes. As a result, the interest rate used to calculate the Group's pension commitments is that used for the related years by the insurance provider (4% p.a.)

The main assumptions used to measure these commitments were:

	2014	2013
Mortality tables	PEMF-2000P	PEMF-2000P
Interest rate	2.15%	3.50%
Long-term inflation rate	0%	1%
Retirement age	65	65
Rotation	No	No

The table below presents the results of the actuarial valuation made and details on the value of the pension commitments, the fair value of the assets used to cover said commitments, and amounts recognized in assets, liabilities and the consolidated income statement.

The valuation of previous commitments based on the above assumptions was:

	Thousands of euros	
	2014	2013
Pension liabilities for active employees	220	203
Accrued	106	95
Unaccrued	114	108
Total commitments	106	95
Fair value of plan assets (Plan position account)	106	95
Asset (liability) to be recognized on the balance sheet	-	-

The movement in the present value of the obligation accrued under defined benefit commitments is shown below:

	Thousands of euros	
	2014	2013
Unvested pension obligations, opening balance	95	81
Current service cost	8	10
Impact of workforce reductions	-	(1)
Attributable return	3	5
	<u>106</u>	<u>95</u>

The movement in the fair value of the plan assets, structured in the corresponding insurance policy, was as follows:

	Thousands of euros	
	2014	2013
Fair value of plan assets (insurance policy), opening balance	95	81
Redemption value of insurance policy	-	(1)
Insurance premiums paid during the year	8	10
Return on insurance policy	3	5
	<u>106</u>	<u>95</u>

Termination benefits

Termination benefits are recognized as a provision and an employee benefit expense only when the Group has a proven commitment to terminate the employment of an employee or group of employees before the normal retirement date, or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

q) Off-balance-sheet customer funds

Funds deposited by third parties for investment in mutual funds and companies, pension funds, savings insurance contracts and discretionary portfolio management contracts are recognized at fair value in memorandum accounts (auxiliary off-book accounting records) (note 23).

Additionally, assets acquired on behalf of third parties, equity instruments, debt instruments, derivatives and other financial instruments that are held on deposit for which the Group is liable to third parties are recognized in memorandum accounts at fair value or, when fair value cannot be estimated reliably, at cost (note 19). When in accordance with the contracts entered into with customers and when (international) market operating procedures dictate, the Group uses global custody accounts (omnibus), where it appears as owner of the positions. It must keep separate internal records with a breakdown by customer.

The fair value of these positions is determined by reference to quoted prices in the various markets, or those supplied by global custodians in the case of units of mutual funds (net asset value).

r) Consolidated statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.
- Operating activities: the main activities of Group companies.
- Investing activities: the acquisition, sale and other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

The indirect method was used to prepare the consolidated statement of cash flows. To this end, profit for the year is adjusted for the effects of non-monetary transactions and all types of deferred/accrued payment items that are the source of past or future collections and payments from operating activities, as well as cash inflows and outflows associated with investing or financing activities.

s) Related-party transactions

Related-party transactions are measured as described above.

Transfer prices are duly documented; consequently, the parent's directors believe it is not exposed to a risk of significant tax liabilities on related party transactions.

t) Statement of changes in equity

The statement of changes in equity presented as an integral part of these financial statements shows all the movements in equity accounts arising during the year. This information is in turn broken down into two statements: the statement of recognized income and expense and the statement of total changes in equity. The main features of the disclosures included in both sections of this statement are described below:

Statement of recognized income and expense

This section of the statement of changes in equity presents the income and expense generated by the Group during the year as a result of its activities, distinguishing between income and expense recognized in the income statement for the year and other income and expense recognized directly in equity, in keeping with prevailing accounting rules.

Accordingly, this statement presents:

- Profit for the year;
- The net amount of income and expense recognized temporarily in equity as valuation adjustments;
- The net amount of income and expense recognized definitively in equity;
- The income tax accrued in respect of the last two items;
- Total recognized income and expense, this being the sum of the above.

The changes in the income and expense recognized as valuation adjustments within equity are in turn broken down into:

- Valuation gains (losses): the amount of income, net of the underlying expenses, arising during the year, recognized directly in equity. The amounts recognized in this heading during the year continue to be recognized within this heading, even if the underlying items are reclassified to profit or loss that same year, are recognized in the initial carrying amount of other assets or liabilities or are reclassified to another heading;
- Amounts transferred to the income statement: this heading reflects the valuation gains or losses previously recognized in equity, even if recognized that same year, that may be subsequently reclassified to profit or loss;
- Amounts transferred to the initial measurement of hedged items: this heading reflects the valuation gains or losses previously recognized in equity, even if recognized that same year, that are recognized in the initial measurement of assets or liabilities as a result of cash flow hedges;
- Other reclassifications: transfers arising during the year between measurement adjustment headings in keeping with prevailing accounting criteria.

All the items presented in the statement of recognized income and expense are liable for subsequent reclassification to profit or loss, with the exception of "Actuarial gains / (losses) on pension plans". These amounts are presented at their pre-tax amounts; the corresponding tax effect is presented within "Income tax" within the same statement.

Statement of total changes in equity

This section of the statement of changes in equity presents all the movements in equity accounts, including those arising as a result of changes in accounting criteria and restatements made to address accounting errors. This statement therefore reconciles the carrying amounts at the start and end of the year of all the items comprising equity, the movements in which are grouped by nature into the following categories:

- Restatements for changes in accounting criteria and for prior-year errors: this section includes changes in equity as a result of the retroactive restatement of financial statement headings as a result of changes in accounting criteria or the correction of errors.
- Total income and expense recognized during the year: the aggregate of all the items recognized in the statement of recognized income and expense, as detailed above.
- Other changes in equity: movements in all other equity items, such as increases or decreases in capital or the endowment fund, dividends, trading in own equity instruments, transfers between equity headings and any other increase or decrease in equity.

u) Financial guarantees

Financial guarantees are contracts under which the Group undertakes to pay specific amounts for which a third party is liable in the event that the latter fails to honor its payment obligations. The main contracts included under this heading, which is presented as a memorandum account at the bottom of the consolidated balance sheet, are bank bonds.

When the Group enters into contracts of this nature, they are recognized under “Financial liabilities at amortized cost – Other financial liabilities” on the liability side of the consolidated balance sheet at fair value and, simultaneously, in “Loans and receivables – Other financial assets” at the present value of the future cash flows receivable using for the purpose of both calculations a discount rate similar to the interest rate charged by the Entity when it grants financial assets with similar terms and an equivalent risk profile to the counterparty in question. Subsequent to initial recognition, these agreements are measured by recognizing the differences as finance income or finance cost in profit or loss, depending on whether the agreement constitutes “Other financial assets” or “Other financial liabilities”, respectively.

In addition to the considerations outlined above, the Group hedges its financial guarantees as detailed in note 5.a.2) in relation to management of credit risk.

5. FINANCIAL RISK MANAGEMENT

Dealing in financial instruments can lead to the assumption by the Group of one of more classes of risk. The main financial risks are:

- Credit risk: This is the risk that one of the parties to a financial instrument contract could fail to meet its contractual obligations due to insolvency or incapacitation of natural or legal persons as a result of which the other party suffers a financial loss.
- Liquidity risk: This risk is sometimes called funding risk. It relates to the risk of the Entity not being able to sell a financial asset rapidly for an amount comparable to its fair value or finding it difficult to obtain the funds to meet its commitments under its financial instruments.
- Market risk: This risk arises from holding financial instruments whose value may be affected by changes in market conditions and is comprised of three types of risk:
 - (i) Exchange rate risk: This risk arises as a result of changes in the rates of exchange among currencies.
 - (ii) Interest rate risk: This risk arises as a result of changes in market interest rates.
 - (iii) Price risk: This is the risk of adverse changes in market prices due to either factors specific to the financial instrument itself or factors affecting all market-traded instruments. Although the Group holds positions in equity instruments that expose it to this risk factor, its exposure is not deemed material.

The Group has built its risk management model around the following cornerstones:

- a) Credit risk
 - a.1) Credit risk management and measurement

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. In the case of repayable financing extended to third parties, credit risk relates to the risk that the principal, interest and other items will not be recovered at the amount and within the timeframe stipulated in the loan agreements, among other terms and conditions. In respect of off-balance sheet exposures, this risk factor relates to the counterparty's potential failure to uphold its obligations vis-à-vis third parties, forcing the Group to assume them as its own as a result of the commitment assumed.

The Group is exposed to credit risk when its counterparties breach their respective obligations. In this respect it distinguishes between two classes of counterparties: (i) general clients; and (ii) financial institutions.

The current client credit risk monitoring system is underpinned by the development of new risk assessment and debtor (individuals and groups) classification systems that determine the amount of impairment allowances required to cover potential losses.

Specifically in relation to the granting, monitoring and oversight of risks with 'general clients', the Group's Risk Control Department oversees that the current system for extending credit limits on a discretionary basis – in all instances as a function of the securities provided to the Group as collateral - is working properly. Under the terms of the agreements signed with the Group's clients, it can use the customers' securities and mutual fund units to settle potential debts in the event of customer non-payment (failure to replenish funds). The Group has analyzed the new policies and procedures deriving from effectiveness of Bank of Spain Circular 3/2014 regarding the concession of consumer loans in the mortgage, consumer financing and credit card segments. Given the nature of the loans granted by the parent (securities loans), the introduction of the abovementioned circular has not meant significant changes in how the entity manages and measures its customer credit risk.

a.2) Maximum credit risk exposure

The following table displays the maximum credit risk exposure assumed by the Group at December 31:

	Thousands of euros	
	2014	2013
Available-for-sale financial assets (debt securities)	593,879	369,351
Due from credit institutions	736,968	379,573
Loans and advances to customers	16,817	19,212
Contingent exposures	13	2,500
Maximum credit risk exposure	<u>1,347,677</u>	<u>770,636</u>

Due from credit institutions: the main components of this portfolio are repurchase agreements with Spanish brokers, current accounts and time deposits with financial brokers.

Loans and advances to customers: these are essentially balances receivable from individual clients in connection with securities trading; these balances are secured by the securities deposited by these same clients at the Group. When the Group classifies these balances as impaired, the impairment losses are determined by taking into consideration the value of the balances provided as collateral.

There were no individual exposures in breach of the limits imposed by the Bank of Spain at either year-end 2014 or 2013.

In accordance with the risk types defined by the Bank of Spain, the Bank classifies its 'standard risk' into the following categories: negligible risk (public sector and transactions collateralized by cash deposits), low risk (mortgages on completed housing with LTV < 80% and companies with an A credit rating), medium-low risk (other collateral), medium risk (personal guarantee, excluding consumer loans, credit cards and overdrafts), medium/high risk (consumer loans) and high risk (credit card balances, current account overdrafts and credit account overdrafts).

<u>Type of risk</u>	%	
	2014	2013
Negligible risk	98.76	97.05
Medium	1.17	2.36
High	0.07	0.59
	<u>100.00</u>	<u>100</u>

a.3) Credit quality

The Group has established a system for measuring credit risk which is based on the ratings awarded by external rating agencies (S&P, Moody's and Fitch).

The table below breaks down the Group's investments which expose it to credit risk (namely its available-for-sale [debt securities] and loans and receivables [due from credit institutions] portfolios) by the ratings categories awarded by independent rating agencies. A breakdown of the credit quality of loans and advances to customers and the equity instruments portfolio is not disclosed as there are no external ratings for most of the Group's exposure in this respect.

	Thousands of euros			
	2014		2013	
	Due from credit institutions (note 6.b)	Debt securities (note 6.b)	Due from credit institutions (note 6.b)	Debt securities (note 6.b)
Between AAA and A-	25,094	-	3,818	-
Between BBB+ and B-	578,087	593,879	383,450	368,963
Between CCC+ and C	-	-	-	109
Not rated	145,445	-	7,113	-
Total	<u>748,626</u>	<u>593,879</u>	<u>394,381</u>	<u>369,072</u>

a.4) Credit risk in respect of construction and property development loans

The Group had not extended loans to finance construction work or property developments at either year-end. Nor had it extended loans to fund the acquisition of residential property at either reporting date. The Group did not hold any assets foreclosed as a result of bad loans to builders or developers at either year-end.

a.5) Loan refinancing and restructuring policy

The Group uses the following definitions:

- Refinancing transaction: a transaction which, regardless of the borrower or the related collateral, is granted or used, for economic or legal reasons related to financial difficulties on the part of the borrower, to cancel one or more loans extended by the entity or any of its Group entities to the borrower or to one or more companies within the latter's group or which renders the borrower fully or partially current on its payments in respect of such loans with a view to helping the counterparty to the cancelled or refinanced transaction to service its debt (principal and interest) when it cannot or is expected not to be able to fulfil its contractual obligations when or as due.
- Refinanced transaction: a transaction rendered partially or wholly performing as a result of a refinancing transaction undertaken by the entity or any of its Group entities.
- Restructured transaction: a transaction whose terms and conditions, for economic or legal reasons related to financial difficulties on the part of the borrower, are modified in order to facilitate debt service (principal and interest) because the borrower cannot or is expected not to be able to fulfil its contractual obligations when or as due, even if such an amendment is provided for in the contract terms. The following are deemed restructured transactions: haircuts, asset swaps to pay off debt, term amendments to extend the maturity of a loan, alter the repayment schedule in order to reduce loan instalments in the short term or diminish their frequency and/or the grant of grace periods for the payment of principal, interest or both, insofar as it can be demonstrated that the terms are modified for reasons other than financial difficulties on the part of the borrower and that the new terms are similar to market terms extended to customers with similar risk profiles at the time of the restructuring.
- Loan renewal: a transaction arranged to replace another formerly granted by the entity itself in the absence of prevailing or anticipated financial difficulties on the part of the borrower; in a nutshell, a transaction arranged for reasons other than for refinancing purposes.
- Renegotiated transaction: a transaction the financial terms of which are modified in the absence of prevailing or anticipated financial difficulties on the part of the borrower; in a nutshell, when terms are modified for reasons other than for restructuring purposes.

Regardless, for a transaction to qualify as a renewal or renegotiation, the borrower must be able, as of the date of renewal/renegotiation, to secure a similar amount of funds in the market on equivalent terms to those offered by the entity; in addition these terms must match those being offered at the time to customers with similar risk profiles.

The Group's parent did not have any outstanding investments qualifying as refinancing, refinanced or restructured transactions at either year-end.

b) Liquidity risk

Liquidity risk is the risk that a credit institution will encounter difficulty in securing liquid funds or accessing them in sufficient amount and at an acceptable cost to meet its payment obligations without adversely affecting the market price or the cost of the transaction.

The Group's following a policy of protecting itself from liquidity risk, keeping enough cash and other liquid financial instruments available to meet computable liabilities with residual maturity of less than one year.

Renta 4, Sociedad de Valores, S.A. (subsidiary) has to meet a cash adequacy ratio. Therefore, assets that can easily be liquidated and are low risk must amount to least 10% of its computable liabilities with a residual maturity of less than one year. This does not include temporary and instrumental payables (brokerage customer). This company had met the abovementioned capital adequacy ratio at December 31, 2014 and 2013.

The table below analyses the Group's financial instruments into relevant maturity groupings based on the remaining period at year-end 2014 and 2013 to the contractual maturity date.

2014

Cash flows

	Thousands of euros						
	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	Over 5 years
<u>Cash inflows</u>							
Due from credit institutions	257,849	50,209	34,900	13,000	-	-	-
Loans to other financial institutions	1	20,521	-	-	-	10	-
Reverse repurchase agreements and securities borrowed	-	392,500	-	-	-	-	-
Loans and advances	2,866	15,061	699	347	6,474	7,036	77
Securities portfolio settlement	-	73,955	145,000	130,000	202,722	35,000	-
Net interest income	(5)	96	(684)	98	(98)	-	-
Total	260,711	552,342	179,915	143,445	209,098	42,046	77

Cash outflows

Wholesale funding issues							
Due to banks	(1,852)	(12,562)	(270)	(334)	(424)	(484)	-
Due to other financial institutions and international organisms	(36,423)	(16,967)	-	-	-	(7)	-
Due to major non-financial corporates	(1,125)	-	-	-	-	-	-
Other funding due to customers	(315,523)	-	(395,760)	(90)	-	(1,250)	-
Funds for brokerage loans	-	-	-	-	-	-	-
Funding raised with securities as collateral	-	(34,472)	(230,000)	-	-	(1,300)	-
Currency swaps (net)	-	-	-	-	-	-	-
Derivatives (net)	-	-	-	90	-	-	-
Other cash outflows (net)	(1,275)	(4,709)	-	-	(487)	(1,562)	-
Total	(35,198)	(419,710)	(626,030)	(334)	(911)	(4,603)	-

Available liquidity

	Thousands of euros							
	Opening liquidity balance	Less than 1 week	Less than 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	Over 5 years
Cash and balances with central banks	3,729							
Adjustment to comply with minimum reserve requirement		(2,587)	(979)					
Undrawn liquidity facilities	146,866		19,313	84,332	(80,850)	(133,440)	(36,221)	
Central government	146,866							
<i>Of which: Spanish public debt</i>	146,866							
Unpledged eligible assets	258,347							
Central government	258,347	234,971	(373,471)		(49,957)	(69,890)		
<i>Of which: Spanish public debt</i>	258,347	234,971	(373,471)		(49,957)	(69,890)		
Other marketable assets not eligible for use as collateral in exchange for central bank funding	1,096							
Listed equity securities	1,096						1,764	
Total available liquidity balance	410,038	642,422	287,285	371,617	240,810	37,480	3,023	3,023

2013

Cash flows

	Thousands of euros						
	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	Over 5 years
<u>Cash inflows</u>							
Due from credit institutions	94,058	43,095	10,915	-	5,000	-	-
Loans to other financial institutions	505	18,041	-	-	-	9	-
Reverse repurchase agreements and securities borrowed	-	241,059	-	-	-	-	-
Loans and advances	5,316	13,322	838	3,943	1,509	8,713	132
Securities portfolio settlement	-	50	23,000	26,000	216,000	97,722	-
Net interest income	30	54	(407)	(70)	(49)	-	-
Total	99,909	315,621	34,346	29,873	222,460	106,444	132
<u>Cash outflows</u>							
Wholesale funding issues	-	-	-	-	-	-	-
Due to banks	(627)	(11,069)	(981)	(1,195)	(2,237)	(1,646)	-
Due to other financial institutions and international organisms	(22,821)	(8,039)	-	-	-	(7)	-
Due to major non-financial corporates	-	-	-	-	-	-	-
Other funding due to customers	(243,827)	-	(13,910)	(2,647)	-	(1,342)	-
Funds for brokerage loans	-	-	-	-	-	-	-
Funding raised with securities as collateral	-	(246,713)	(175,000)	-	-	(45,000)	-
Currency swaps (net)	-	-	-	-	-	-	-
Derivatives (net)	-	9	(8)	-	-	89	-
Other cash outflows (net)	(973)	(49,254)	-	-	(1,056)	(1,477)	-
Total	(268,248)	(315,066)	(189,899)	(3,842)	(3,293)	(49,383)	-

Available liquidity

	Thousands of euros							
	Opening liquidity balance	Less than 1 week	Less than 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	Over 5 years
Cash and balances with central banks	3,076	-	-	-	-	-	-	-
Adjustment to comply with minimum reserve requirement		(1,689)	(863)					
Undrawn liquidity facilities	86,884	-	15,000	151,995	(24,369)	(171,289)	(58,221)	-
Central government	86,884							
Of which: Spanish public debt	86,884							
Unpledged eligible assets	53,906							
Central government	53,906	(8,154)	(50)	-	-	(45,702)	-	-
Of which: Spanish public debt	47,875	(2,173)	-	-	-	(45,702)	-	-
Other marketable assets not eligible for use as collateral in exchange for central bank funding	1,085							
Listed equity securities	1,085	-	-	-	-	-	3,037	-
Total available liquidity balance	144,951	135,108	149,195	301,190	276,821	59,830	4,646	4,646

As can be observed from the above table, there are no significant items under the breakdown of maturities on the asset side of the balance sheet which would reduce the abovementioned gap. The most significant figures are the equity instruments, property, plant, and equipment and intangible assets, and shares.

c) Market risk

The Group's positions are very well identified and are essentially limited to investments in UCITs and listed shares. Nevertheless, the Group measures the risk associated with these positions periodically using value-at-risk methodology (VaR) which expresses the maximum expected loss for a specific time interval on the basis of the historic performance of a security or portfolio. The VaR of these portfolios (at 1 day and with a confidence level of 98.75%) at December 31, 2014 and 2013 was as follows:

	Thousands of euros	
	2014	2013
Trading portfolio (maximum potential loss)	59	65
Available-for-sale investments (maximum potential loss)	755	736
VaR (% of the portfolio)	0.08%	0.12%

c.1) Exchange rate risk

The Group's exposure to this risk factor is due to its investment in Chile which is not significant.

c.2) Interest rate risk

This risk factor is defined as the possibility that changes in interest rates could have an adverse impact on the value of a financial instrument or a portfolio of financial instruments or the value of the Group as a whole. These adverse changes may result from movements in the interest rate curves or in the credit spreads applied by counterparties.

The directors consider that the Group's exposure to interest rate risk is insignificant. Therefore, they do not evaluate or monitor this risk and have not established either exposure limits or procedures for monitoring interest rate risk. As seen in the information provided in the various notes to the consolidated financial statements, the Group's policy is not to assume interest rate risk. Therefore, the Group's financial assets and liabilities are at floating rates with short-term maturities, except long-term loans and borrowings with financial institutions and some non-current loans and advances to employees of small amounts.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

As detailed in note 4.f), except for financial instruments classified as 'loans and receivables' and equity instruments whose fair value cannot be reliably determined, the Group's on-balance sheet financial assets are measured at fair value.

Similarly, with the exception of financial liabilities classified as 'financial liabilities at amortized cost', all of the Group's financial liabilities are also measured at fair value.

The table below provides an analysis of the Group's financial assets and liabilities at fair value at year-end 2014 and 2013 broken down by class of financial asset/liability and into one of the following three fair value measurement hierarchies:

- **LEVEL 1:** Financial instruments whose fair value has been calculated on the basis of their listed price on active markets, without making any changes to the list prices.

- **LEVEL 2:** Financial instruments whose fair value has been estimated on the basis of listed prices on organized markets for similar instruments, or by employing other valuation techniques in which all material inputs are based on directly or indirectly observable market data.
- **LEVEL 3:** Instruments whose fair value has been estimated through the use of valuation techniques in which some significant input is not based on observable market data. Input is considered to be significant when it constitutes a major factor in the overall determination of fair value.

Financial assets

12/31/2014	Balance sheet total	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets held for trading	1,764	1,764	1,500	264	-
Debt securities	97	97	-	97	-
Other equity instruments	1,217	1,217	1,050	167	-
Trading derivatives	450	450	450	-	-
	626,628	626,606	626,606	-	-
Available-for-sale financial assets	593,879	593,879	593,879	-	-
Debt securities	32,727	32,727	32,727	-	-
Equity instruments	22	-	-	-	-
Equity instruments at cost					

12/31/2013	Balance sheet total	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial assets held for trading	1,037	1,037	750	287	-
Debt securities	287	287	-	287	-
Other equity instruments	289	289	289	-	-
Trading derivatives	461	461	461	-	-
	401,834	401,809	367,892	33,917	-
Available-for-sale financial assets	369,072	369,072	335,155	33,917	-
Debt securities	32,737	32,737	32,737	-	-
Equity instruments	25	-	-	-	-
Equity instruments at cost					

Financial liabilities

12/31/2014	Balance sheet total	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial liabilities held for trading	360	360	-	360	-
Trading derivatives	360	360	-	360	-

12/31/2013	Balance sheet total	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Financial liabilities held for trading	372	372	8	364	-
Trading derivatives	372	372	8	364	-

The main valuation methods, assumptions and inputs used to estimate the fair value of the financial liabilities at the various hierarchy levels at year-end 2014 and 2013 were as follows:

- Trading derivatives: the fair value of most of the proprietary portfolio of trading derivatives was determined on the basis of the instruments' quoted prices on active markets as the underlyings are stock market indices such as the Euro Stoxx 50 and the Ibex. In addition, there are derivatives embedded in the structured deposits marketed by the Group. The fair value of these instruments is obtained from models widely used by the financial system based on market inputs.
- Debt securities: the fair value of the debt instruments was determined on the basis of their listed prices on formal exchanges (the Bank of Spain book entry clearing system), the AIAF private fixed-income exchange's screens (for credit institutions) or by using prices obtained from information service providers that build prices based on price data reported by their contributors. Investments in Spanish government debt listed on active markets are deemed Level 1 valuations for fair value hierarchy purposes, while private fixed-income security valuations are deemed Level 2.
- Equity instruments: the fair values of all of the Group's listed equity investments was determined on the basis of the securities' quoted prices in official markets, which is why these investments are classified within Level 1 in the tables above.

There were no transfers among the various levels in 2014 or 2013.

The Group's loans and receivables and its financial liabilities at amortized cost are typically very short term in nature and carry floating rates so that their carrying amounts coincide with fair value.

The amounts recognized in the 2014 and 2013 income statements in respect of changes in the fair value of the Group's financial instruments, which correspond to unrealized gains and losses, distinguishing between financial instruments whose fair value is determined using Level 1 (on the basis of prices quoted in active markets), Level 2 (using valuation techniques fed by variables observable in the market) and Level 3 (all other instruments), are not material at either year-end 2014 or 2013 for the purpose of the accompanying consolidated financial statements; nor are the changes in unrealized gains and losses during the years then ended.

7. SEGMENT INFORMATION

The business segment information is generated for the purpose of facilitating internal control, monitoring and management of the Renta 4 Group's business and earnings performance. The Board of Directors is deemed the highest body empowered to take decisions affecting each business segment. In defining its business segments, management considers each unit's intrinsic risks and management specifics. Likewise, in order to split and allocate the Group's business and earnings performance, management bases its analysis on the basic business units, for which accounting and management information is readily available. Management applies the same general principles as are used to prepare the Group's management information and the measurement and recognition criteria and accounting principles are essentially the same as those used to prepare the financial statements.

The business segments described below reflect the Group's organizational structure at year end 2014 and 2013 based on the nature of the services rendered and the customer segments to which they are rendered.

The Group's main business lines, which constitute its primary reporting segments, are as follows:

- Brokerage (Spanish and international capital markets and the sale of managed and third-party mutual funds).
- Asset Management (management of UCIs and pension funds).
- Corporate Services: includes primarily support services for the rest of the segments, as well as security depository and custodial services.

The Group carries out its core business operations in the Spanish market; however, since 2011 it has been conducting an insignificant amount of business in Chile. The customer bases and product ranges are similar in both markets.

The Group's financial business focuses mainly on brokerage, asset management, corporate and other services. These activities are carried out through a network of branches, agents and subsidiaries and are offered to individuals and financial intermediaries, and small- and medium-sized enterprises (SMEs). Corporate services are provided by various Group subsidiaries.

Inter-segment sales relate mainly to commissions on the sale of the managed investment funds paid by the Asset Management segment to the Brokerage segment for marketing them through the network. These fees and commissions are paid in accordance with the agreed terms (75% of the management fee), which the directors deem to be in line with market practices.

The following table presents segment information for 2014 and 2013:

	Thousands of euros									
	Year ended December 31, 2014					Year ended December 31, 2013				
	Brokerage	Asset Management	Corporate Services	Adjustments	Total	Brokerage	Asset Management	Corporate Services	Adjustments	Total
INCOME STATEMENT										
Interest and similar income										
Internal	-	8	-	(8)	-	-	8	-	(8)	-
External	7,533	-	-	-	7,533	9,246	-	-	-	9,246
Interest and similar expense										
Internal	(8)	-	-	8	-	(8)	-	-	8	-
External	(1,372)	-	(137)	-	(1,509)	(2,539)	-	(647)	-	(3,186)
Return on equity instruments (dividends)	-	-	165	-	165	-	-	289	-	289
Share of profit (loss) of entities accounted for using the equity method	(771)	-	-	-	(771)	(378)	-	-	-	(378)
Fee and commission income										
Internal	9,351	-	-	(9,351)	-	7,729	-	-	(7,729)	-
External	57,690	39,530	7,751	-	104,971	47,407	27,800	7,493	-	82,700
Fee and commission expense										
Internal	-	(9,351)	-	9,351	-	-	(7,729)	-	7,729	-
External	(31,671)	(22,643)	-	-	(54,314)	(28,085)	(13,958)	-	-	(42,043)
Gains or losses on financial assets and liabilities (net)	-	-	8,229	-	8,229	-	-	6,460	-	6,460
Foreign currency translation differences (net)	1,787	-	-	-	1,787	1,137	-	-	-	1,137
Other operating income	14	-	280	-	294	-	-	362	-	362
Other operating expenses	(1,211)	-	(24)	-	(1,235)	(1,826)	-	(194)	-	(2,020)
GROSS MARGIN	41,342	7,544	16,264	-	65,150	32,683	6,121	13,763	-	52,567
Employee benefits expense	(15,687)	(2,896)	(5,551)	-	(24,134)	(13,212)	(2,439)	(4,675)	-	(20,326)
Other general expenses	(10,526)	(1,943)	(3,725)	-	(16,194)	(9,283)	(1,714)	(3,285)	-	(14,282)
Depreciation and amortization	(3,349)	-	(522)	-	(3,871)	(2,689)	-	(517)	-	(3,206)
Provision expenses	47	-	-	-	47	15	(30)	-	-	(15)
Impairment losses on financial assets	(517)	-	(970)	-	(1,487)	23	-	(743)	-	(720)
Impairment losses (net) on financial assets	-	-	(1)	-	(1)	-	-	-	-	-
PROFIT BEFORE TAX	11,310	2,705	5,495	-	19,510	7,537	1,938	4,543	-	14,018
BALANCE SHEET										
Total assets	1,529,611	19,499	26,392	(83,667)	1,491,835	947,354	16,481	7,567	(66,237)	905,165
Total liabilities	1,447,334	6,867	11,912	(55,156)	1,410,957	870,877	6,688	736	(44,431)	833,870
Other information										
Acquisitions of property and equipment	4,117	-	1,287	-	5,404	2,932	-	413	-	3,345

8. CASH AND BALANCES AT CENTRAL BANKS

The breakdown of the balance of "Cash and balances with central banks" in the consolidated balance sheet at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Cash	121	74
Bank of Spain		
Rest of deposits	3,608	3,002
	<u>3,729</u>	<u>3,076</u>

The breakdown by remaining term to maturity is provided in note 5.b).

The breakdown of the instruments deemed by the Group to constitute cash equivalents is as follows:

	Thousands of euros	
	2014	2013
Cash	121	74
Bank of Spain	3,608	3,002
Current accounts (note 11.a)	284,406	103,118
	<u>288,135</u>	<u>106,194</u>

The balances on deposit with the Bank of Spain are held for the purpose of covering the minimum reserve coefficient requirement, which applies to the Group's parent, in keeping with prevailing legislation.

9. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The breakdown of these headings on the asset and liability sides of the balance sheet at December 31, 2014 and 2013 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2014	2013	2014	2013
Debt securities	97	287	-	-
Other equity instruments	1,217	289	-	-
Trading derivatives	450	461	360	372
Total	<u>1,764</u>	<u>1,037</u>	<u>360</u>	<u>372</u>

None of the assets included in this portfolio were encumbered by any commitments or guarantees at either year end.

a) Debt securities

The breakdown, by issuer sector, of the balance of "Debt securities" at year-end is as follows:

	Thousands of euros	
	2014	2013
Public sector – Spain	-	-
Spanish credit institutions	-	178
Other resident sectors	97	109
Total	<u>97</u>	<u>287</u>

b) Other equity instruments

The breakdown, by issuer sector, of the balance of "Other equity instruments" at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Credit institutions	-	2
Other non-resident sectors	1,217	282
Other resident sectors	-	5
Total	<u>1,217</u>	<u>289</u>

The breakdown of "Other equity instruments," based on whether the securities included therein are admitted for listing or not and the percentage of the total they represent, is as follows:

	Thousands of euros		% of total	
	2014	2013	2014	2012
Listed	1,050	289	86.27	100
Unlisted	167	-	13.73	-
	<u>1,217</u>	<u>289</u>	<u>100</u>	<u>100</u>

c) Trading derivatives

The trading derivatives, as outlined in note 4.f), are classified as held for trading; as such, they are measured at fair value and any fair value changes are recognized directly in profit or loss.

The notional amounts and fair values of the derivatives, by type of market, type of product, counterparty, term to maturity and type of risk, recognized under "Trading derivatives" at year-end 2014 and 2013, are as follows:

	Thousands of euros					
	Notional amount		Fair value			
	Memorandum accounts		Assets		Liabilities	
	2014	2013	2014	2013	2014	2013
<u>By type of market</u>						
Organized markets	1,715	14,533	450	461	-	8
OTC markets	972	1,735	-	-	360	364
	2,687	16,268	450	461	360	372
<u>By type of product</u>						
Options						
<i>Bought</i>	1,215	7,769	450	461	-	-
<i>Sold</i>	972	7,808	-	-	360	364
Others						
<i>Sold</i>	500	691	-	-	-	8
	2,687	16,268	450	461	360	372
<u>By counterparty</u>						
Resident credit institutions	-	691	-	-	-	8
Other financial institutions	-	-	-	-	-	-
Non-resident credit institutions	1,715	14,533	450	461	-	8
Other sectors	972	1,044	-	-	360	356
	2,687	16,268	450	461	360	372
<u>By term to maturity</u>						
Within 1 year	2,687	15,224	450	461	360	16
Between 1 and 5 years	-	1,044	-	-	-	356
	2,687	16,268	450	461	360	372
<u>By class of risk hedged</u>						
Exchange rate risk	-	-	-	-	-	-
Interest rate risk	500	1,191	-	-	-	8
Share price risk	2,187	15,077	450	461	360	364
	2,687	16,268	450	461	360	372

d) Other information

The breakdown of this heading by remaining term to maturity is provided in note 5.b) which covers liquidity risk.

Note 6) provides detailed information on the fair value of the financial assets included in this category and on the methods used to estimate the related fair values.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this heading on the asset side of the balance sheet at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Debt securities	593,879	369,072
Other equity instruments	<u>32,749</u>	<u>32,762</u>
	<u>626,628</u>	<u>401,834</u>

In 2014 and 2013, none of the financial instruments included in this portfolio was transferred or reclassified.

The movement in this balance sheet heading in 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Balance at January 1	401,834	249,163
Additions	617,478	462,551
Disposals	(388,597)	(311,283)
Deferral of accrued interest	4,325	4,753
Collection of coupons	(8,320)	(3,245)
Valuation adjustments	830	356
Impairment of assets	(930)	(743)
Reversal of general loan-loss provision	<u>8</u>	<u>282</u>
Balance at December 31	<u>626,628</u>	<u>401,834</u>

Assets in this portfolio in the amount of 433,179 thousand euros at year-end 2014 (354,015 thousand euros at year-end 2013) were pledged to secure loans and implicit financial liabilities (note 16.a).

a) Debt securities

The breakdown of debt securities by counterparty is as follows:

	Thousands of euros	
	2014	2013
Public sector – Spain	593,879	335,155
Credit institutions	-	32,863
Other non-resident sectors	-	1,062
Impairment provision (general provision)	-	<u>(8)</u>
Total	<u>593,879</u>	<u>369,072</u>

The breakdown of these headings by remaining term to maturity is provided in note 5.b).

The year-end fair values of these debt instruments were determined on the basis of their listed prices on formal exchanges (the Bank of Spain book entry system) and by using prices obtained from information service providers that build prices based on prices fed by contributors (Bloomberg).

On March 19, 2013, the Group decided to execute the aforementioned guarantee, as a result of which the parent's main shareholder purchased the secured bonds for 10,244 thousand euros. To facilitate execution of this guarantee, the parent granted the entity acquiring the bonds a 3-year loan of 3,000 thousand euros, which is secured by the bonds themselves and 55,000 shares of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. At December 31, 2014 and 2013 the amount of the loan extended amounted to 2,000 thousand euros and 3,000 thousand euros, respectively, while the related collateral at the respective year-ends was valued at 2,859 and 3,542 thousands euros.

b) Other equity instruments

The breakdown of this heading at year-end 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Investments in UCITS	24,870	28,833
Shares and other equity investments	7,879	3,929
Total	<u>32,749</u>	<u>32,762</u>

The breakdown of "Investments in UCITS" at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
R4 CTA Trading, F.I.	9,269	8,159
Renta 4 Renta Fija Euro, F.I.	5,540	4,899
Renta 4 Pegasus, Fund	-	1,271
Renta 4 Minerva, FIL (formerly Renta 4 Minerva, IICICIL)	2,689	2,932
Renta 4 Renta Fija Internacional, F.I.	1,198	2,660
Renta 4 Total Opportunity, F.I.	-	1,045
Renta 4 Valor Relativo, F.I.	-	1,116
Renta 4 Atalaya F.I.	4,184	4,397
Trualpha Global Currency F.I.L.	583	602
Renta 4 Monetario, F.I.	-	209
R4 Hanson Uk Opportunities Fund F.I.	1,035	-
Other	372	1,543
	<u>24,870</u>	<u>28,833</u>

The breakdown of “Shares and other equity interests” at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
<u>Quoted</u>		
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	1,961	3,375
Kivalliv Energy	430	529
Inversiones Financieras de las Islas Occidentales, SICAV	4,957	-
Other	509	-
<u>Unquoted</u>		
Other equity interests	22	25
	<u>7,879</u>	<u>3,929</u>

At year-end 2014, the Group recognized a 427 thousand euro impairment loss on its investment in Kivallic Energy, a 407 thousand euro loss on the investment in Renta 4 Minerva F.I.L. and a 96 thousand euro loss on the investment in Truelpha Global Currency F.I.L. These losses are recognized within "Impairment losses (net) on financial assets" in the income statement (note 22.f). As of December 31, 2013 the Group has no significant exposure to equity investments whose market value implies a decline of over 40% with respect to the related investment cost or that have been trading below acquisition cost for over 18 months and have not been provisioned.

The breakdown of “Valuation adjustments” in equity (note 18.k) at year-end 2014 and 2013 as a result of changes in the fair value of the assets held in this portfolio is provided below:

	Thousands of euros	
	2014	2013
<u>Equity instruments</u>		
Other resident sectors	(556)	(611)
Non-resident sectors	(30)	(185)
<u>Debt securities</u>		
Spanish government	438	(22)
Credit institutions	-	3
Other non-resident sectors	-	6
Total	<u>(148)</u>	<u>(809)</u>

11. LOANS AND RECEIVABLES

The breakdown of this heading on the asset side of the balance sheet at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Due from credit institutions	748,626	394,381
Loans and advances to customers	49,258	49,045
Total	<u>797,884</u>	<u>443,426</u>

The breakdown by remaining term to maturity is provided in note 5.b).

a) Due from credit institutions

The breakdown of this heading is as follows:

	Thousands of euros	
	2014	2013
Time deposits	59,900	35,071
Repurchase agreements	392,432	241,001
Other accounts	296,055	117,986
Valuation adjustments		
Accrued interest	239	323
	<u>748,626</u>	<u>394,381</u>

The breakdown of these assets by remaining term to maturity is provided in note 5.b).

The breakdown of “Time deposits” at year-end 2014 and 2013 is as follows:

Year-end 2014

Entity	Type	Maturity date	Thousand euros
Caixabank, S.A.	0,60%	12/03/2015	30,000
Industrial and Commercial Bank of China (ICBC)	0,40%	17/02/2015	4,900
Banca March, S.A.	1,15%	07/04/2015	13,000
Ibercaja Banco, S.A.	1,15%	30/01/2015	12,000
Total			<u>59,900</u>

Year-end 2013

Entity	Type	Maturity date	Thousand euros
Banco Santander, S.A. (Banesto)	1,50%	14/09/2014	5,000
Caixabank, S.A.	1,23%	01/02/2014	4,000
Banco Santander, S.A.	3,00%	29/01/2014	5,000
Cajamar Caja Rural	3,00%	15/02/2014	2,000
Caixabank, S.A.	1,23%	31/01/2014	14,000
Industrial and Commercial Bank of China (ICBC)	1,49%	18/03/2014	4,915
Banco Security	4,56%	31/01/2014	156
Total			<u>35,071</u>

The breakdown of assets acquired under resale agreements ('reverse repos') in 2014 and 2013 is as follows:

December 31, 2014

Public debt securities	Final maturity	Interest rates		Thousands of euros
		Minimum	Maximum	
October 30, 2014	January 23, 2015	0.08%	0.20%	392,432

December 31, 2013

Public debt securities	Final maturity	Interest rates		Thousands of euros
		Minimum	Minimum	
November 29, 2013	January 3, 2014	0.4%	1.25%	241,001

Of the portfolio of reverse repos, 272,472 thousand euros of assets were sold under repurchase agreements at year-end (note 16.c) (231,713 thousand euros at year-end 2013).

The main components at both year-ends of "Other accounts" in the table above are (i) current accounts, which accrue interest at market rates for accounts of this nature, in the amount of 284,406 thousand euros (year-end 2013: 103,118 thousand euros); and (ii) financial guarantees on deposit at brokerages in connection with international derivatives in the amount of 10,087 thousand euros (year-end 2013: 13,045 thousand euros).

b) Loans and advances to customers

The breakdown of this consolidated balance sheet heading by loan type, performance status, borrower classification and interest rate category is as follows:

	Thousands of euros	
	2014	2013
By loan type and status:		
Loans secured by physical property	12,993	12,878
Other term loans	224	801
Receivable on demand and sundry loans	3,600	5,533
Doubtful assets	3,653	2,581
Other financial assets	31,533	29,531
Valuation adjustments	(2,745)	(2,279)
	<u>49,258</u>	<u>49,045</u>
By sector:		
Other resident sectors	39,531	37,819
Other non-resident sectors	9,727	11,226
	<u>49,258</u>	<u>49,045</u>
Interest rate:		
Floating	49,258	49,045
Fixed	-	-
	<u>49,258</u>	<u>49,045</u>

The breakdown of these headings by remaining term to maturity is provided in note 5.b).

The breakdown of the transactions classified as 'secured by physical property':

	Thousands of euros			
	Debt		Value of collateral	
	2014	2013	2014	2013
Pledged securities	12,993	12,878	19,403	19,801
Other	-	-	-	-
	<u>12,993</u>	<u>12,878</u>	<u>19,403</u>	<u>19,801</u>

In 2014 and 2013 the Group was given pledges on customer securities it holds on deposit as collateral against payments receivable.

The breakdown of the valuation adjustments recognized in respect of transactions classified as 'Loans and advances to customers' is as follows:

	Thousands of euros	
	2014	2013
Valuation adjustments:		
Asset impairment losses	(2,959)	(2,446)
Accrued interest	214	167
	<u>(2,745)</u>	<u>(2,279)</u>

The balance of doubtful assets at year-end 2014 is 3,653 thousand euros (year-end 2013: 2,581 thousand euros).

Other financial assets

This heading includes the guarantees placed on deposit at the MEFF, the Spanish futures market, in connection with derivative trading activities, at December 31, 2014 and 2013.

c) Impairment losses

The breakdown of the impairment losses recognized at year-end 2014 and 2013 on assets classified as loans and receivables is provided in the table below:

	Thousands of euros		
	Specific allowance	General allowance	Total
Balance at December 31, 2012	1,805	382	2,187
Additions	260	42	302
Due to changes in accounting criteria			
Recoveries	(43)	-	(43)
Recoveries (with a credit to profit or loss)			
Amounts used	-	-	-
Write-downs	-	-	-
Other			
	<u>2,022</u>	<u>424</u>	<u>2,446</u>
Balance at December 31, 2013			
Additions			
Due to changes in accounting criteria	776	-	776
Recoveries			
Recoveries (with a credit to profit or loss)	(163)	(88)	(251)
Amounts used			
Write-downs	(12)	-	(12)
Other	-	-	-
	<u>2,623</u>	<u>336</u>	<u>2,959</u>

The movement in the balance of financial assets written-off (derecognized as the likelihood of recovery is deemed remote) is as follows:

	Thousands of euros
Balance at December 31, 2012	505
Additions	-
With a charge against asset impairment losses	
Decreases	-
Due to recovery	(5)
Due to forgiveness	
	<u>500</u>
Balance at December 31, 2013	
Additions	
With a charge against asset impairment losses	12
Decreases	
Due to recovery	-
Due to forgiveness	(503)
	<u>9</u>
Balance at December 31, 2014	

12. INVESTMENTS

The breakdown of "Investments" by financial instrument and counterparty is as follows:

	Thousands of euros	
	2014	2013
Associates		
Securities owned by the Group	5,880	3,202
Valuation adjustments	-	-
Impairment losses	-	-
	<u>5,880</u>	<u>3,202</u>

The breakdown by company at December, 31 2014 is as follows:

Company	Thousands of euros	
	2014	2013
Renta Markets, S.V., S.A.	1,867	2,286
Hanson Asset Management Limited	1,134	-
Outlook Inversiones, S.I.C.A.V., S.A.	-	916
Mercor Global Plus, S.I.C.A.V., S.A.	2,879	-
	<u>5,880</u>	<u>3,202</u>

Renta Markets, S.V., S.A. contributed a profit of 167 thousand euros in 2014 (394 thousand euros in 2013). Renta Markets, S.V., S.A. had total assets at year-end of 7,894 thousand euros (year-end 2013: 7,437 thousand euros) and total liabilities of 2,396 thousand euros (year-end 2013: 906 thousand euros); in 2014 it generated total revenue of 4,069 thousand euros (2013: 5,967 thousand euros) and profit for the year attributable to equity holders of the parent of 477 thousand euros (2013: 1,125 thousand euros).

As indicated in note 3, on February 19, 2014, Renta 4 Banco, S.A. agreed to acquire an interest in the UK's Hanson Asset Management Limited ("HAM"); specifically, it took a 14.99% shareholding. The Group's share of this associate's earnings in 2014 amounted to a loss of 95 thousand euros. At year-end 2014, this associate had total assets of 2,907 thousand euros and total liabilities of 481 thousand euros; between May (acquisition date) and year-end, it generated total revenue of 1,186 thousand euros and a loss for the year of 633 thousand euros.

This heading also recognizes the investment in Mercor Global Plus Sicav in the amount of 2,879 thousand euros at December 31, 2014 (zero at year-end 2013). At year-end, this company had total assets of 2,866 thousand euros, total equity of 2,861 thousand euros and total liabilities of 5 thousand euros; in 2014 it generated a loss of 121 thousand euros. At year-end 2013, this heading also recognized the investment in Outlook Inversiones S.I.C.A.V., S.A. in the amount of 916 thousand euros. On September 30, 2013, the parent received a binding offer from an asset manager for the acquisition of a very significant stake (no less than 99.99%) in Outlook Inversiones S.I.C.A.V., S.A. This company had total assets at year-end 2013 of 2,994 thousand euros, total equity of 2,974 thousand euros and total liabilities of 20 thousand euros; it generated a loss of 5 thousand euros in 2013.

Further disclosures regarding the Group's investments in associates are provided in Appendix I.

At year-end 2014 and 2013, the breakdown of the “Investments” heading by listed and unlisted shares is as follows:

	2014		2013	
	Thousands of euros	% of total investments	Thousands of euros	% of total investments
Unlisted	3,001	51%	2,286	71%
Listed	2,879	49%	916	29%
	<u>5,880</u>	<u>100%</u>	<u>3,202</u>	<u>100%</u>

The movement in “Investments” on the consolidated balance sheet for 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Opening balance	3,202	1,892
Additions	4,112	916
Disposals	(1,506)	-
Share of profit/loss for the year	72	394
Closing balance	<u>5,880</u>	<u>3,202</u>

The following movements in respect of Investments are recognized in the consolidated income statement under “Share of profit (loss) of entities accounted for using the equity method”:

	Thousands of euros	
	2014	2013
Share of Profit of the year of Hanson Asset Management Limited	(95)	-
Share of profit for the year of Renta Markets, S.A.	167	394
Elimination of fees and commissions paid by another Group company to Renta Markets, S.A.	(843)	(772)
Closing balance	<u>(771)</u>	<u>(378)</u>

13. PROPERTY AND EQUIPMENT

The breakdown of the movement in this consolidated balance sheet heading at December 31, 2014 and 2013 is as follows:

	Thousands of euros				
	Computer equipment	Furniture, fixtures and other assets	Buildings	Investment property	Total
<u>Cost</u>					
Balance at 12/31/2012	4,678	15,941	22,056	5,720	48,395
Additions	151	2,781	238	175	3,345
Disposals	(6)	(108)	-	(490)	(604)
Balance at 12/31/2013	4,823	18,614	22,294	5,405	51,136
Additions	586	3,531	1,286	1	5,404
Disposals	-	-	-	-	-
Transfers	-	-	(431)	431	-
Balance at 12/31/2014	5,409	22,145	23,149	5,837	56,540
<u>Accumulated depreciation</u>					
Balance at 12/31/2012	(4,379)	(6,997)	(3,992)	(1,759)	(17,127)
Additions	(148)	(1,573)	(393)	(124)	(2,238)
Disposals	6	105	-	490	601
Balance at 12/31/2013	(4,521)	(8,465)	(4,385)	(1,393)	(18,764)
Additions	(185)	(1,898)	(390)	(132)	(2,605)
Disposals	-	-	99	(99)	-
Balance at 12/31/2014	(4,706)	(10,363)	(4,676)	(1,624)	(21,369)
Carrying amount at December 31, 2014	703	11,782	18,473	4,213	35,171
Carrying amount at December 31, 2013	302	10,149	17,909	4,012	32,372

The additions recognized under "Furniture, fixtures and other assets" in 2014 and 2013 correspond to upgrade work undertaken by the Group at several of its office buildings. The additions recognized under "Buildings" in 2014 correspond mainly to the acquisition of a new office building.

The Group had no material contractual commitments for the acquisition or sale of property and equipment at either year-end; nor were its assets subject to material restrictions on title.

The carrying amount of Group property and equipment located outside of Spain at year-end 2014 was 81 thousand euros (66 thousand euros at year-end 2013).

The directors estimate that the fair value at year-end 2014 and 2013 of the property and equipment owned by the Group is not materially different from the amounts recognized in the accompanying balance sheet.

No significant amounts of property and equipment were subject to use or title restrictions, retired from service or pledged as security for liabilities at either year-end.

Finance leases

The carrying amount at year-end 2014 of property and equipment acquired under finance lease arrangements was 14,421 thousand euros (year-end 2013: 14,740 thousand euros).

On February 8, 2007, Renta 4 de Servicios de Inversión, S.A. arranged a finance lease with a bank on an office building in Valencia in the amount of 1,673 thousand euros. The price included the price of the purchase option (11 thousand euros) and the financial charge (261 thousand euros), payable in 120 monthly installments. The nominal interest rate on the lease, which terminates on January 8, 2017, is currently 4.5%.

On July 5, 2001, the Group arranged a finance lease with a bank on the property located at Paseo de la Habana, 74 in Madrid, for a total of 18,170 thousand euros; this asset is recognized under "Buildings" in the accompanying consolidated balance sheet. On November 17, 2004, the Company amended this agreement, adding the reform work performed at the property and extending the term to December 5, 2014; the total price of the finance lease after the amendment stood at 18,018 thousand euros. This price includes the price of the purchase option (150 thousand euros) and the financial charge (1,430 thousand euros), payable in 120 monthly installments. The lease transaction carries interest at Euribor plus a spread of 0.60%, reset annually. The contract amendment took effect on December 5, 2004.

The parent settled the purchase option on December 5, 2014 for 182 thousand euros. The deed evidencing the change in the property's ownership was being processed at year-end.

The maturity analysis of the commitments made under these agreements according to the scheduled timing of the payments is as follows:

	Thousands of euros			
	2014		2013	
	Less than 12 months	Over 12 months	Less than 12 months	Over 12 months
Value of the commitment –future minimum payments	134	156	1,932	290
Financial charge	(10)	(4)	(25)	(13)
Finance lease commitments - Present value (note 16.b)	<u>124</u>	<u>152</u>	<u>1,907</u>	<u>277</u>

The breakdown of outstanding payments and present value of these leases at December 31, 2014 and 2013 is as follows:

	Thousands of euros			
	Within one year	After one year but not more than five years	More than five years	Total
<u>Future minimum payments</u>				
<u>2014</u>	134	156	-	290
<u>2013</u>	1,932	290	-	2,222
<u>Present value</u>				
<u>2014</u>	124	152	-	276
<u>2013</u>	1,907	277	-	2,184

Expense under operating leases is recognized as an operating expense as accrued over the term of the related leases.

The building located at Paseo de la Habana, 63 in Madrid is recognized as an investment property at both year-ends. The Group earned rental income of 137 thousand euros from this property in 2014 (114 thousand euros in 2013). This income is included within "Rental income" in the consolidated income statement.

The expenses incurred in respect of the investment properties generating this rent relate to the annual depreciation charges.

The breakdown of the future minimum payments receivable under non-cancelable operating leases at year-end is as follows:

	Thousands of euros	
	2014	2013
Within one year	300	276
Between one and five years	1.200	1,104
	<u>1.500</u>	<u>1,380</u>

14. INTANGIBLE ASSETS

a) Goodwill

The breakdown of the movement in this consolidated balance sheet heading in 2014 and 2013 is as follows:

	Thousands of euros		
	Cost	Impairment losses	Total
Balance at 12.31.2012	18,317	(2,211)	16,106
Modification of the provisional accounting of the business combination (client portfolio)	(646)	-	(646)
Balance 12/31/2013	<u>1,671</u>	<u>(2,211)</u>	<u>15,460</u>
Movements	-	(40)	(40)
Balance 12/31/2014	<u>17,671</u>	<u>(2,251)</u>	<u>15,420</u>

At December 31, 2014, goodwill totaled 15,420 thousand euros (year-end 2013: 15,460 thousand euros), corresponding to the companies clustered into the Asset Management CGU (5,476 thousand euros at both year-ends), the Brokerage CGU (9,815 thousand euros at both year-ends) and the Chilean CGU (129 and 169 thousand euros at year-end 2014 and 2013, respectively). The Brokerage CGU encompasses Banco Alicantino de Comercio S.A. (Renta 4 Banco S.A.), Renta 4 Burgos S.A., Renta 4 Aragón S.A., Renta 4 Huesca, S.A. and Padinco Patrimonios S.G.C., S.A., while the Asset Management CGU includes Renta 4 Gestora S.G.I.I.C., S.A. (Gesdinco Gestión SCIIC) and Renta 4 Pensiones, E.G.F.P., S.A. Lastly, the Chilean CGU consists of Renta 4 Chile Corredores de Bolsa, S.A.

In 2014, based on the outcome of the impairment tests performed, the directors deemed it necessary to recognize an impairment loss against the Chilean CGU in the amount of 40 thousand euros; this loss is recognized under "Impairment losses (net) on other assets - Goodwill and other intangible assets" in the consolidated income statement.

In 2013 the Group's parent modified the provisional amounts recognized in connection with the business combination consisting of the acquisition of Renta 4 Chile Corredores de Bolsa, S.A. so as to allocate an amount of 646 thousand euros to intangible assets with a finite useful life (customer portfolio), leaving a goodwill balance of 169 thousand euros. This useful life of this customer portfolio was set at seven years. The annual amortization charges on the Group's finite-lived intangible assets are recognized in "Depreciation and amortization" in the consolidated income statement. (Note 14.b) In April 2012, the Group acquired 70% of Renta 4 Corredores de Bolsa, S.A. (note 3). The related goodwill was estimated at the time of the acquisition as follows:

	Thousands of euros
Consideration given	2,035
Fair value of the assets acquired and the liabilities assumed	(1,220)
Goodwill	815

The goodwill was associated with the business expected to be generated as a result of the sale of other services provided by the Renta 4 Group to Chilean customers (brokerage activities and asset, fund, pension fund and portfolio management) and the potential growth in the Chilean customer base due to the scope for trading in the Spanish market. It is expected that this goodwill will be fully deductible for tax purposes in future years.

The fair value of the assets acquired and the liabilities assumed was as follows:

	Thousands of euros
Cash and cash equivalents	2,489
Financial assets and liabilities held for trading	135
Current liabilities	(1,404)
Total	1,220

The transaction had the following effect on the cash flow statement:

	Thousands of euros
Cash flows from operating activities	
Net increase / decrease in operating assets	
Financial assets and liabilities held for trading	(135)
Net increase / decrease in operating liabilities	
Other operating liabilities	1,404
Net cash flows from operating activities	1,269
Cash flows from investing activities	
Payments	
Intangible assets	(815)
Net increase / decrease in cash (*)	454

(*) Increase/(decrease) in cash: the cash held by the target (2,489 thousand) less the cash transferred (2,035 thousand euros).

Management has tested the goodwill allocated to the Brokerage, Asset Management and Chile CGUs for impairment at December 31, 2014 and 2013.

Under IAS 36, goodwill is impaired when its carrying amount exceeds its recoverable amount, defined as the higher of value in use and fair value less costs to sell. The recoverable amounts of the above-listed CGUs were determined taking an income approach; specifically, management used the dividend discount model based on cash flow projections which were in turn based on the management-approved budgets, as follows:

Asset Brokerage CGU

	2014	2013
Projection period	5 years	5 years
Discount rate (projection period)	11.7%	14.0%
Growth rate in perpetuity	2.0%	2.0%

Management CGU

	2014	2013
Projection period	5 years	5 years
Discount rate (projection period)	12.4%	14.5%
Growth rate in perpetuity	2.0%	2.0%

Chile CGU

	2014	2013
Projection period	5 years	5 years
Discount rate (projection period)	12.5%	13.4%
Growth rate in perpetuity	2.0%	2.0%

The values in use calculations for both CGUs are based on the following assumptions:

Projection period

As required in paragraph 33.b of IAS 36, the projection period used to estimate the future cash flows of both CGUs was five years. Management believes a five-year period is right timeframe for adequately reflecting the business plan, as projected for each CGU.

Discount rate

The discount rates reflect management's estimate of the risks specific to each unit. It is the rate used by management to evaluate business performance and investment proposals. The discount rate used to calculate value in use for each of the CGUs at the measurement date was the cost of equity (Ke), determined using the capital asset pricing model (CAPM)".

This model is based on the risk-free rate (Rf), calculated using the average yield on 10-year Spanish government bonds during the three months ended December 31, 2014, plus a market risk premium (Rm), multiplied by the appropriate beta coefficient plus a specific premium. The resulting discount rates for the various CGUs, as shown in the tables above, were 11.7%, 12.4% and 12.5%, respectively (2013: 14%, 14.5% and 13.4%).

Growth rate in perpetuity

The estimated rate of growth in perpetuity was based on long-run inflation estimates taken from public sources. The estimated inflation rate used was 2% for all three cash-generating units.

Management believes it can substantiate the use of these growth rates.

Sensitivity analysis

In order to test the robustness of its calculations, management performed sensitivity analysis varying the key inputs used to determine the CGUs' value-in-use estimates. To this end, it varied the discount rates, growth rates in perpetuity and capital requirement assumptions used. The results of this exercise are outlined below:

Asset Management and Brokerage CGUs

Reasonable variations with respect to the base case scenario of +/-100 basis points in the discount rate used, coupled with reasonable variations of +/-100 basis points in the rate of growth in perpetuity modelled, would not result in the impairment of either of the CGUs.

Nor would reasonable variations with respect to the base case scenario of +/-100 basis points in the discount rate modelled, coupled with reasonable variations of +/-0.25 basis points in the minimum capital required of the CGUs, result in the impairment of either of these two CGUs.

Lastly, reasonable variations with respect to the base case scenario of +/-100 basis points in the rate of growth in perpetuity modelled, coupled with reasonable variations of +/-0.25 basis points in the minimum capital required of the CGUs, would not result in the impairment of either of these two CGUs.

Chile CGU

In the case of the Chilean CGU, reasonable variations with respect to the base case scenario of +/-100 basis points in the discount rate used, coupled with reasonable variations of +/-100 basis points in the rate of growth in perpetuity modelled, would trigger additional deterioration in respect of the Chile CGU of 328 and 35 thousand euros, respectively.

Likewise, reasonable variations with respect to the base case scenario of +/-100 basis points in the discount rate modelled, coupled with reasonable variations of +/-0.25 basis points in the minimum capital required of this CGU, would trigger additional deterioration in respect of the Chile CGU of 328 and 613 thousand euros, respectively.

Moreover, reasonable variations with respect to the base case scenario of +/-100 basis points in the rate of growth in perpetuity modelled, coupled with reasonable variations of +/-0.25 basis points in the minimum capital required of this CGU, would trigger additional deterioration in respect of the Chile CGU of 35 and 613 thousand euros, respectively.

This sensitivity analysis indicates that none of the changes in any of the above-listed assumptions would result in carrying amounts for any of the three CGUs of less than their carrying amounts.

On the basis of the impairment test results, the directors concluded that it was necessary to recognize an impairment loss against the Chile CGU of 40 thousand euros; this loss is recognized under "Impairment losses (net) on other assets - Goodwill and other intangible assets" in the consolidated income statement.

The impairment tests performed by the parent were subsequently assessed by an independent expert who, on 20 March 2015, issued a favorable report on the impairment tests and the measurement of the Group's goodwill.

b) Other intangible assets

This consolidated balance sheet heading includes software acquired from third parties and the Gesdinco & Padinco and Chilean customer portfolios. This account registered the following activity in 2014 and 2013:

	Thousands of euros		
	Cost	Accumulated amortization	Carrying amount
Balance at 12/31/2012	<u>4,802</u>	<u>(3,408)</u>	<u>1,394</u>
Additions and charges	1,561	(968)	593
Derecognitions	-	-	-
Balance at 12/31/2013	<u>6,363</u>	<u>(4,376)</u>	<u>1,987</u>
Additions and charges	1,720	(1,266)	454
Derecognitions	-	-	-
Balance at 12/31/2014	<u>8,083</u>	<u>(5,642)</u>	<u>2,441</u>

At December 31, 2014, "Other intangible assets" included the Gesdinco & Padinco customer portfolios fully depreciated (815 thousands euros of cost and 815 thousands euros of accumulated depreciation at December 31, 2014). It also included the Chilean customer portfolio at a carrying amount of 392 thousand euros (original cost of 646 thousand euros, net of accumulated amortization of 254 thousand euros) (note 14.a). This heading includes applications for a net value of 2,049 thousand euros at December 31, 2014.

At December 31, 2013, "Other intangible assets" included the Gesdinco & Padinco customer portfolios at a carrying amount of 101 thousand euros (original cost of 815 thousand euros, net of accumulated amortization of 714 thousand euro). This heading also included the Chilean customer portfolio at a carrying amount of 485 thousand euros (original cost of 646 thousand euros, net of accumulated amortization of 161 thousand euros). It also included software with a carrying amount of 2,340 thousand euros at December 31, 2013.

15. OTHER ASSETS AND OTHER LIABILITIES

The breakdown of these headings in the accompanying consolidated balance sheet at December 31, 2014 and 2013 is as follows:

<u>Assets:</u>	Thousands of euros	
	2014	2013
Prepayments and accrued income	826	725
Others	-	4
	<u>826</u>	<u>729</u>

At December 31, 2014 and 2013, the main item comprising "Prepayments and accrued income" in the table above relates to expenses in the amount of 0 and 29 thousand euros incurred respectively by the Entity directly in connection with the convertible bond issue (note 16.d); these expenses are being charged to the consolidated income statement over the life of the convertible bond issue.

<u>Liabilities:</u>	Thousands of euros	
	2014	2013 (*)
Fees and commissions payable	176	161
Others	1,842	4,041
	<u>2,018</u>	<u>4,202</u>

(*) Considering the effects of the restatement detailed in Note 2.2

16. FINANCIAL LIABILITIES AT AMORTIZED COST

The breakdown of these liability headings of the accompanying consolidated balance sheet at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Due to central banks	306,974	235,912
Due to credit institutions	6,353	8,047
Customer deposits	1,024,014	504,055
Debt certificates including bonds	-	12,222
Other financial liabilities	66,946	65,193
	<u>1,404,287</u>	<u>825,429</u>

The breakdown of these headings by remaining term to maturity is provided in note 5.b).

a) Due to central banks

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

	Thousands of euros	
	2014	2013
Time accounts	306,300	235,000
Valuation adjustments – Interest accrued by non-resident institutions	674	912
Total	306,974	235,912

The breakdown of the balances due to central banks at December 31, 2014 (there were no such balances at year-end 2013) is as follows:

12/31/2014

Entity	Rate	Maturity date	Thousands of euros	
			Limit	Drawn down
European Central Bank (1)	0,05%	29/01/2015	75,000	75,000
European Central Bank (1)	0,05%	26/02/2015	45,000	45,000
European Central Bank (1)	0,05%	26/02/2015	85,000	85,000
European Central Bank (1)	0,05%	26/03/2015	100,000	100,000
European Central Bank (1)	0,15%	26/09/2018	1,300	1,300
Total			306,300	306,300

(1) Loans secured by debt security pledges (Note 10)

12/31/2013

Entity	Rate	Maturity date	Thousands of euros	
			Limit	Drawn downs
European Central Bank (1)	0.25%	01/30/2014	15,000	15,000
European Central Bank (1)	0.25%	02/27/2014	100,000	100,000
European Central Bank (1)	0.25%	03/27/2014	75,000	75,000
European Central Bank (1)	0.25%	02/26/2015	45,000	45,000
Total			235,000	235,000

(1) Loans secured by debt security pledges (Note 10)

The Group also had undrawn liquidity via the European Central Bank at year-end of 124,512 thousand euros (61,912 thousand euros at year-end 2013).

b) Due to credit institutions

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

	Thousands of euros	
	2014	2013
Time accounts	1,646	6,601
Other accounts	4,707	1,446
Valuation adjustments – Interest accrued by non-resident institutions	-	-
Total	6,353	8,047

The year-end breakdown of 'Time accounts' in the table above is provided below:

	Thousands of euros	
	2014	2013
Loans and implicit financial liabilities	1,370	4,417
Finance lease agreements (Note 13)	276	2,184
	<u>1,646</u>	<u>6,601</u>

The breakdown of these loans is as follows:

12/31/2014

		Final maturity	Thousands of euros	
			12/31/2014	
			Limit	Drawn down
Bankia, S.A. (Bancaja)	Euribor 1A +3%	01/04/2015	2,000	147
Caixabank S.A.	Euribor 1A +1,5%	02/07/2015	2,000	248
Banco de Sabadell S.A.	Euribor 1A+4,10%	30/06/2015	<u>3,000</u>	<u>975</u>
Subtotal			<u>7,000</u>	<u>1,370</u>

12/31/2013

		Final maturity	Thousands of euros	
			12/31/2013	
			Limit	Drawn down
Catalunya Banc S.A.(1)	1Y Euribor +0.32%	02/28/2014	3,000	104
Banca March	3m Euribor +1.15%	01/01/2014	3,000	53
Caixabank S.A.	1Y Euribor +1.75%	05/01/2014	2,000	142
Banco Popular	1Y Euribor +1.8%	04/03/2014	3,000	219
Bancaja	1Y Euribor +3%	04/01/2015	2,000	576
Caixabank S.A.	1Y Euribor +1.5%	07/02/2015	2,000	666
Banco Sabadell	1Y Euribor +4.10%	06/30/2016	3,000	1,591
Banco Pastor	ICO + 2.5%	12/25/2014	<u>3,000</u>	<u>1,066</u>
Subtotal			21,000	<u>4,417</u>

- (1) Simultaneously with the arrangement of this loan, the Company arranged a swap, cap and floor with the following characteristics in order to hedge the interest rate risk deriving from this loan:

Contract	(Thousands of euros)		
	Nominal amount	Start date	Expiry
Swap	230	03/01/07	03/03/2014
Purchase of cap	230	03/01/07	03/01/2014
Sale of floor	231	03/01/07	03/01/2014

The fair value of these financial contracts of 8 thousand euros is recognized in "Derivatives held for trading" under "Financial liabilities held for trading" on the liability side of the consolidated balance sheet at December 31, 2013.

c) Customer deposits

The breakdown of this consolidated balance sheet heading by counterparty and financial instrument type is as follows:

	Thousands of euros	
	2014	2013
Term deposits	397,100	4,329
Demand deposits		
Current accounts	354,346	267,621
Other demand funds	-	-
Repurchase agreements (Note 11.a)	272,472	231,713
Valuation adjustments	96	392
	<u>1,024,014</u>	<u>504,055</u>

d) Debt certificates including bonds

The breakdown of this heading in the accompanying balance sheet heading, by financial liability type, is as follows:

	Thousands of euros	
	2014	2013
Bonds and debentures	-	12,060
Valuation adjustments		
Interest	-	162
Total	<u>-</u>	<u>12,222</u>

The issue of bonds convertible and/or exchangeable into shares of Renta 4 Servicios de Inversión, S.A. (currently Renta 4 Banco, S.A.) was subscribed in full on March 22, 2011. The related securities note was registered with the CNMV, Spain's securities market regulator, on February 24, 2011.

The issue size was 25 million euros. The bonds have a face value of 1 thousand euros and accrue interest at an annual rate of 5%, payable twice yearly, and a conversion price of 6 euros per share. During the term of the issue, the bondholders are entitled to exercise their conversion rights during any of three ordinary conversion periods. The bonds will mature and be repaid in full on the third anniversary of the issue date (deemed to be the date on which the bonds were registered in the clearing house's book entry record, i.e., April 5, 2011); accordingly, any bonds that have not been converted during any of the scheduled conversion periods will mature and be repaid in full on April 5, 2014. Interest will accrue from April 5, 2011, inclusive.

The equity component corresponding to the conversion option embedded in the convertible bonds was valued at 1,708 thousand euros in 2011 (Note 18.f).

During the first ordinary conversion period requests were received for the conversion of the equivalent of 111 bonds; these bonds were cancelled by means of the delivery of 19,349 own shares on May 31, 2012.

At the annual general meeting held on April 27, 2012, the shareholders of Renta 4 Banco, S.A. approved a new voluntary conversion date of May 9, 2012 at a conversion price of 5 euros. They further approved extraordinary remuneration for bond holders voluntarily applying to convert their bonds on the new conversion date equivalent to the remuneration that would have accrued on the bonds, if held, between the new voluntary conversion date and the maturity date, i.e., April 5, 2014.

This extraordinary remuneration will consist of interest at a nominal rate of 5% of the par value of the bonds, payable bi-annually on the following dates: October 5, 2012, April 5, 2013, October 5, 2013 and April 5, 2014.

During the voluntary conversion period requests were received for the conversion of an equivalent of to 11,944 bonds; these bonds were cancelled by means of the delivery of 2,399,257 own shares on June 8, 2012.

Following an in-kind distribution of the share premium account in the amount of 16,657 thousand by means of the delivery of own shares of the Company, as ratified at the annual general meeting of April 27, 2012, as provided in the Securities Note, the issue conversion price was adjusted to 5.23 euros per share.

In addition, on October 28, 2013, the Board of Directors approved the distribution of an interim dividend from 2013 profits of 0.05 euros per share for every share then outstanding (1,941 thousand euros) (note 18.h). As a result of this distribution dividend, the conversion price of the convertible bonds was adjusted to 5.17 per share, in keeping with the rules established in the bonds' Securities Note.

At December 31, 2013, the number of bonds outstanding stood at 12,945. The equity component corresponding to the conversion option embedded in the convertible bonds amounted to 885 thousand euros at December 31, 2013.

All of the Group's convertible bonds fell due and were settled on April 5, 2014. As a result of the exchange, the bondholders were given 872,592 Renta 4 Banco, S.A. shares on May 5, 2014, valued at 4,950 thousand euros, generating a loss of 439 thousand euros, which was recognized in reserves within equity. A further 16,519 shares were delivered in the form of the coupon payment; this payment of 94 thousand euros generated a loss of 8 thousand euros which was similarly recognized in reserves within equity (note 18.g). In addition, the Group paid cash of 8,434 thousand euros on the occasion of the conversion.

As a result of the exchange, the balances recognized under "Debt securities" on the liability side of the balance sheet and under "Compound financial instruments" within equity, in the amount of 885 thousand euros, were derecognized (note 18.f).

e) Other financial liabilities

All the financial liabilities included under this consolidated balance sheet heading are classified in the 'financial liabilities at amortized cost' portfolio and are accordingly measured at amortized cost. This heading includes payment obligations that qualify as financial liabilities that are not included in other headings.

The breakdown of “Other financial liabilities” by type of financial instrument is as follows:

	Thousands of euros	
	2014	2013
Payment obligations	3,061	1,661
Deposits received	81	77
Clearing houses	1,707	5
Tax collection accounts		
Social Security Administration	346	305
Financial guarantees	42,113	41,959
Other items	19,638	21,186
Total	<u>66,946</u>	<u>65,193</u>

The Group includes the financial guarantees required of its clients for trading on the MEF (Spain’s futures exchange), in international derivatives and with CFD (contract for difference) products within “Financial guarantees” in the table above.

“Other items” above includes balances outstanding in respect of transactions with Allfunds clients pending settlement; these transactions are settled during the initial days of the following month. At year-end 2014, these balances totaled 9,019 thousand euros (year-end 2013: 6,961 thousand euros).

17. PROVISIONS

The breakdown of this consolidated balance sheet heading at year-end 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Other provisions for taxes and legal contingencies	130	160
Provision for contingent risks	-	47
	<u>130</u>	<u>207</u>

The breakdown of the movement in this heading in 2014 and 2013 is as follows:

	Other provisions
Balance at December 31, 2012	<u>250</u>
Additions with a charge to profit or loss	207
Provision recoveries with a credit to profit or loss	(192)
Provisions utilized	<u>(58)</u>
Balance at December 31, 2013	<u>207</u>
Additions with a charge to profit or loss	-
Provision recoveries with a credit to profit or loss	(47)
Provisions utilized	<u>(30)</u>
Balance at December 31, 2014	<u>130</u>

At both, December 31, 2013 and 2014 the provisions recognized on the consolidated balance sheet correspond to Renta 4, Gestora S.G.I.I.C., S.A. and the parent and mainly cover certain business-related liabilities and third-party claims.

18. EQUITY

The breakdown of Group equity at year-end is shown below:

	Thousands of euros	
	2014	2013(*)
Own funds		
Issued capital	18,312	18,312
Share premium	8,496	8,496
Reserves	44,269	36,977
Other equity instruments	142	1,027
Less: Treasury shares	(2,400)	(2,448)
Profit for the year	13,369	10,554
Less: dividends and remuneration	(2,558)	(1,941)
	<u>79,630</u>	<u>70,977</u>
Valuation adjustments		
Exchange differences	(156)	(184)
Available-for-sale financial assets	(148)	(809)
	<u>(304)</u>	<u>(993)</u>
Non- controlling interest		
Valuation adjustments	-	88
Other	1,552	1,223
	<u>1,552</u>	<u>1,311</u>
Total equity	<u>80,878</u>	<u>71,295</u>

(*) Considering the effects of the restatement detailed in Note 2.2

a) Issued capital

Share capital at December 31, 2014 and 2013 stood at 18,311,941.35 euros, comprising 40,693,203 registered shares, numbered consecutively from 1 to 40,693,023, each with a nominal value of 0.45 euros and all of the same class and series. All the shares are fully subscribed and paid.

The Company's shares are quoted on the Madrid, Barcelona, Bilbao and Valencia stock exchanges since November 14, 2007 under ISIN code ES0173358039 given by the National Numbering Agency. The listed price of the shares at December 31, 2014 was 5.49 euros (2013: 5.05 euros).

b) Share premium

The share premium account has the same restrictions and may only be used for the same purposes as the voluntary reserves of the parent company.

c) Reserves

The breakdown of this heading at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013(*)
Legal reserve of the parent company	3,662	3,662
Reserves of entities accounted for using the equity method	339	531
Other reserves	40,268	32,784
	<u>44,269</u>	<u>36,977</u>

(*) Considering the effects of the restatement detailed in Note 2.2

The breakdown of "Other reserves" by Group Company is as follows:

Company	Thousands of euros	
	2014	2013(*)
Renta 4 Banco, S.A.	33,943	30,910
Renta 4, Sociedad de Valores, S.A.	10,156	6,233
Renta 4 Burgos, S.A.	(2,475)	(2,474)
Renta 4 Aragón, S.A.	(1,049)	(1,048)
Renta 4 Vizcaya, S.A.	(363)	(363)
Renta 4 Gestora, SGIIC, S.A.	439	(603)
Renta 4 Huesca, S.A.	(373)	(373)
Renta Market, S.A.	(7)	237
Carterix, S.A.	845	382
Renta 4 Pensiones, S.G.F.P., S.A.	283	285
Renta 4 Equities	(1,131)	(402)
Other	<u>40,268</u>	<u>32,784</u>

(*) Considering the effects of the restatement detailed in Note 2.2

The breakdown of "Reserves of entities accounted for using the equity method" is as follows:

Company	Thousands of euros	
	2014	2013
Renta 4 Markets, S.V., S.A.	339	531
	<u>339</u>	<u>531</u>

d) Legal reserve

Companies are obliged to transfer 10% of the profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset a debit balance in the income statement provided no other reserves are available. Under certain conditions, this reserve may be used to increase share capital. At 31 December 2014 & 2013, the parent's legal reserve met the 20% threshold.

e) Voluntary reserves

The Company's voluntary reserves at December 31, 2014 and 2013 are freely distributable as there were no unused tax losses pending offset and subject to equity requirements (note 18.j).

f) Other equity instruments

The detail of this heading at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Compound financial instruments	-	885
Other equity instruments	142	142
	<hr/>	<hr/>
Closing balance	<u>142</u>	<u>1.027</u>

The Group has share-based payment schemes for management and employees by virtue of which, upon achieving certain objectives, they receive shares of Renta 4, Banco S.A., the Group's parent company (formerly Renta 4 Servicios de Inversión, S.A.), called "Plan 2009", and "Plan 2012". No employees exercised their call options in either 2014 or 2013 so that no provision has been recognized in this respect in either year as take-up is expected to be nil.

"Compound financial instruments" above included the value allocated to the equity component of the convertible bonds issued in 2011; this item was derecognized in 2014 as the bonds were converted into shares during the first half of the year (note 16.d). At year-end 2013, the value assigned to the bonds' equity component was 885 thousand euros.

g) Treasury shares

The movement in this heading in 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013(*)
Balance at January 1	(2,448)	(9,681)
Shares delivered for bond conversion (note 16.d)	4,950	-
Shares delivered under share premium distribution (note 18.b)	94	-
Others (note 2.2)	139	215
Purchases	(6,216)	(1,970)
Sales	1,081	8,988
	<hr/>	<hr/>
Balance at December 31	<u>(2,400)</u>	<u>(2,448)</u>

(*) Considering the effects of the restatement detailed in note 2.2

"Other" above includes the change in the value of the shares of Renta 4 Banco, S.A. in the hands of the investment funds in 2014 and 2013; these shares were recognized as treasury shares following first-time application of IFRS 10 (note 2.2).

Although the Group sold own equity instruments in 2014, the transactions did not give rise to the recognition of any gain or loss in "Reserves" (sales in 2013 gave rise to the recognition of a loss of 102 thousand euros). In addition, conversion of the convertible bonds into shares (note 16.d) triggered the recognition of a 439 thousand euro loss in 2014 (2013: zero).

This heading includes the following shares at December 31:

	No. of shares	
	2014	2013
Shares pending delivery (2009 Plan)	-	-
Shares pending delivery (2012 Plan)	-	-
Shares for the execution of the call option on Renta 4 Chile Corredores	331,516	388,158
Other	108,991	101,211
	<u>440,507</u>	<u>489,369</u>

h) Interim dividend

On October 25, 2014, the Board of Directors of the parent company decided to pay an interim dividend from 2013 of 0.02101548 euros per share, for a total amount of 854 thousand euros.

The following statement prepared by the directors substantiates that there is sufficient liquidity to distribute the interim dividend.

	Thousands of euros
Projected distributable parent company profits for the year	
Profit after tax at December 31, 2013	6,020
Distributable profit for the year, 2013	1,941
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	127,499
Projected cash a year after the date of the agreement	133,874

On October 28, 2014, the Board of Directors of the parent company decided to pay an interim dividend of 0.063 euros per share, for a total amount of 2,558 thousand euros.

The following statement prepared by the directors substantiates that there is sufficient liquidity to distribute the interim dividend.

	Thousands of euros
Projected distributable parent company profits for the year	
Profit after tax at September 30, 2014	10,304
Distributable profit for the year, 2014	13,000
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	160,022
Projected cash a year after the date of the agreement	192,026

On October 28, 2013, the Board of Directors of the parent company decided to pay an interim dividend of 0.05 euros per share, for a total amount of 1,941 thousand euros, Payment was made on November 13, 2013. The following statement prepared by the directors substantiates that there is sufficient liquidity to distribute the interim dividend and that the amount does not exceed the profit earned from the end of the previous year, less the amounts to be allocated to mandatory reserves and the related estimated tax payable:

	Thousands of euros
Projected distributable parent company profits for the year	<u>4,164</u>
Profit after tax at September 30, 2013	4,164
Projected distributable profit for the year	4,164
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	89,530
Projected cash a year after the date of the agreement	94,007

i) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the parent by the average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent (eliminating the impact of the finance expense associated with the convertible bonds issued in 2011; note 16.d) by the average number of ordinary shares outstanding during the year plus the average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The parent has issued instruments that can be converted into ordinary shares in the future; however the shares allocated the employee share delivery plan (nota 18.g) are not dilutive.

In addition, in 2011 the parent subscribed for 100% of an issue of bonds that are convertible and/or exchangeable into shares of Renta 4, Servicios de Inversión, S.A. (currently Renta 4 Banco, S.A.). On April 5, 2014 was marked the end and repayment of convertible bonds as detailed in note 16.d. None of the bonds was converted in 2013.

Basic and diluted earnings per share are presented in the table below:

	2014	2013(*)
Net profit attributable to owners of the parent (in thousands of euros)	13,369	10,554
Finance costs associated with the issuance of the convertible bonds (in thousands of euros)	137	647
Net profit attributable to owners of the parent, net of the finance costs associated with the issuance of the convertible bonds (in thousands of euros)	13,506	11,201
Weighted average number of ordinary shares for basic and diluted earnings per share	40,143,996	37,239,803
Weighted average number of ordinary shares, excluding treasury shares, for calculating diluted earnings per share	<u>40,769,963</u>	<u>39,743,672</u>
Basic earnings per share (euros)	<u>0.33</u>	<u>0.28</u>
Diluted earnings per share (euros)	<u>0.33</u>	<u>0.28</u>

(*) Considering the effects of the restatement detailed in Note 2.2

j) Minimum capital requirements

In 2008, the Bank of Spain passed and enacted Circular 3/2008, on the assessment and monitoring of minimum capital requirements ("Circular 3/2008"), under the scope of Spanish Law 36/2007, of November 16, 2007, which in turn amended Law 13/1985, of May 25, on investment ratios, capital and reporting obligations of financial intermediaries. Circular 3/2008 effectively transposed European Community Directives on solvency matters, in turn derived from the Basel Capital Accord (Basel II), into Spanish law.

Since first issued, Circular 3/2008 has been modified several times to adapt it to evolving solvency requirements and developments at the European level. The most recent amendments incorporate the changes introduced by Bank of Spain Circular 4/2011, which transposes Directive 2010/76/EU on capital requirements for the trading book and for re-securitizations and the supervisory review of remuneration policies.

In addition, on November 30, 2012, the Bank of Spain published Circular 7/2012 on minimum 'principle' capital (a measure akin to core capital) requirements, which took effect on January 1, 2013 and had the effect of increasing the 'principle' capital requirement (to 9%) and modifying eligible items and deductions, in keeping with the definition of Core Tier I capital used by the European Bank Authority as per Recommendation EBA/REC/2011/1.

On June 26, 2013, the European Parliament and Council of the European Union approved Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (hereinafter, "CRR"), and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (hereinafter, "CRD"). These regulations took effect on January 1, 2014 and will be implemented on a staggered basis until January 1, 2019. They have the effect of repealing all formerly prevailing solvency regulations.

The CRR and the CRD regulate minimum capital requirements in the European Union and embody the recommendations made in the third Basel Accord (Basel III), specifically:

- The CRR, which must be directly applied by the member states, stipulates the prudential requirements incumbent upon credit institutions and encompasses, among other matters:
 - Definition of the items that compute as capital, stipulating the requirements for hybrid instruments to be eligible and limiting the eligibility of non-controlling interests recognized for accounting purposes.
 - Definition of prudential filters and deductions from capital for each defined capital level. Note that the CRR introduces new deductions with respect to Basel II (deferred tax assets that are dependent on future profitability, pension funds, etc.) and modifies existing deductions. However, it introduces transitional provisions that allow for staggered application over a period of between five and 10 years.
 - Establishment of minimum capital requirements, articulated around three types of capital: (i) Common Equity Tier 1 (CET 1) capital, of at least 4.5% of risk-weighted assets (RWA); Tier 1 capital, of at least 6% of RWA; and (ii) Total Capital, of at least 8% of RWA.
 - Imposition of a leverage calculation requirement on financial institutions, which is defined as an entity's Tier 1 capital divided by its total exposure (unadjusted for risk). Credit institutions will be obliged to publicly disclose this leverage ratio from 2015; the supervisors will calibrate the leverage ratio definition by 2017.

- The main objective and subject matter of the CRD, which has to be transposed by the member states into national legislation using their own criteria, is to coordinate national provisions concerning access to the activities pursued by credit institutions and investment firms, the modalities for their governance, and their supervisory framework. Among other matters, the CRD covers additional capital buffers with respect to those imposed by the CRR that will be gradually implemented through 2019; failure to comply with these buffers will imply constraints on the discretionary distribution of earnings, specifically:
 - A Capital Conservation Buffer and a Countercyclical Capital Buffer, further implementing the Basel III regulatory framework with the aim of mitigating the pro-cyclical effects of financial regulation. Specifically, all financial entities will be required to maintain a Capital Conservation Buffer equivalent to 2.5% of CET 1 capital, while national authorities will impose an institution-specific Countercyclical Capital Buffer, which also will have to be met by capital of the highest quality.
 - A systemic risk buffer. This applies to entities of systemic importance at the global level as well as other entities of systemic importance and is designed to mitigate non-cyclical systemic or macro-prudential risks with potential serious negative consequences for the financial system and the real economy in a specific member state.

In terms of legislative developments in Spain, the newest legislation is oriented mainly around transposition of European regulations at the local level:

- Royal Decree-Law 14/2013, of November 29, 2013, on urgent measures regarding the adaptation of Spanish law to European regulations on financial institution supervision and capital adequacy: partial transposition into Spanish law of the CRD and empowerment of the Bank of Spain to avail of the options afforded to the competent authorities in the CRR. In addition, this piece of legislation includes a transitional arrangement with a view to mitigating the effects of the repeal of the 'principle' capital requirement (Circular 7/2012), so that the Bank of Spain can prevent or restrict, up until December 31, 2014, any distribution of items of tier 1 capital that would have been eligible for the purpose of complying with the 'principle' capital requirement, insofar as these distributions in the course of 2014 exceed in absolute terms the surplus of 'principle' capital over the legal minimum requirement as of December 31, 2013.
- Bank of Spain Circular 2/2014, of January 31, 2014, regarding credit institutions and the exercise of several of the regulatory options contained in Regulation (EU) No. 575/2013. Its purpose is to establish, in keeping with the powers conferred, which of the options attributed by the CRR to the competent national authorities will have to be met from January 1, 2014 by consolidable groups of credit institutions and credit institutions that are part or not part of a consolidable group, and with what scope. To this end, in this Circular the Bank of Spain makes use of some of the temporary and permanent regulatory options provided for in the CRR, generally speaking with the aim of extending the way certain matters were treated under Spanish legislation up until effectiveness of the EC directive, justified in some instances by the business model traditionally pursued by the Spanish banks. This does not preclude the future exercise of other options attributed to the competent national authorities in the CRR, typically in the case of options that are not general in nature, via direct application of the CRR, without requiring substantiation in the form of a Bank of Spain circular.

- Law 10/2014 of June 26, 2014, on the structuring, supervision and capital adequacy of credit institutions, whose overriding purpose is to continue the transposition of CRD IV, a process initiated by Royal Decree-Law 14/2013, of November 29, 2013, and to repeal certain formerly-prevailing national provisions regarding credit institution structuring and discipline. One of the main novelties is the introduction of a requirement on the part of the Bank of Spain to present, at least once a year, a Supervisor Program specifying the substance and form that its supervisory work will take and the actions to be taken as a consequence of the results obtained. This program will include the performance of stress tests at least once a year.
- Bank of Spain Circular 3/2014, of July 30, 2014, on credit institutions and certified appraisal companies and services. Among other things, this Circular amends Circular 2/2014 of January 31, 2014 on the exercise of several of the regulatory options contained in Regulation (EU) No. 575/2013, with respect to the prudential requirements of credit institutions and investment service providers, with the aim of standardizing how intangible assets are deducted during the transition period provided for in the abovementioned Regulation (EU) No. 575/2013, such that goodwill is treated in the same manner as other intangible assets for deduction purposes.

In relation to its minimum capital requirements, the Group applies:

- the standardized approach to calculate its capital requirements in respect of credit, counterparty and dilution risk.
- the standardized approach to calculate its capital requirements in respect of its credit valuation adjustments.
- the basic indicator approach to calculate its capital requirements in respect of operational risk.

The table below presents the Group's eligible capital at year-end 2014, indicating each of its components and deductions and broken down, as required under the new regulations, between Tier 1 and Tier 2 capital:

	Thousands of euros
	<u>2014</u>
Total eligible equity	49,471
Tier 1 Capital	49,198
Paid-in equity instruments	18,312
Share premium	8,496
CET 1 capital own equity instruments (-)	
Held directly	(579)
Held indirectly	(3,848)
Retained earnings	44,269
Other reserves	(162)
Non-controlling interests recognized within CET 1 capital	90
Transitory adjustments due to additional non-controlling interests	1,403
Goodwill (-)	(16,210)
Other intangible assets (-)	(2,441)
Excess items deducted from additional tier 1 capital with respect to additional tier 1 capital (-)	(63)
CET 1 equity instruments of financial sector entities in which the reporting entity has a significant interest (-)	(31)
Other transitional adjustments to CET 1 capital	(38)
Excess items deducted from additional tier 1 capital with respect to additional tier 1 capital	63
Additional deductions from CET 1 capital in keeping with article 3 of the CRR	(63)
Tier 2 Capital	273
General credit valuation adjustments using the standardized approach	336
Additional deductions from Tier 2 capital	(63)
CET 1 capital ratio	<u>16.92%</u>
CET 1 capital surplus (+) / shortfall (-)	<u>36,116</u>
Total capital ratio	<u>17.02%</u>
Total capital surplus (+) / shortfall (-)	<u>26,213</u>

The Group's eligible capital at December 31, 2013 is presented below.

	Thousands of euros
	<u>2013</u>
Eligible capital	26,320
Capital paid in	18,312
Treasury shares	(488)
Share premium	8,496
Eligible reserves	37,819
Reserves	37,478
Non-controlling interests	1,062
Valuation adjustments that compute as Tier I capital	(721)
Deductions from core tier I capital	(19,129)
Treasury shares (third-party financing for the acquisition of treasury shares)	-
Other deductions from Tier I capital provided for in Spanish legislation	(1,682)
Intangible assets	(17,447)
Tier II capital	479
Deductions from Tier II capital	(3,202)
Total core capital for solvency purposes	42,287
Capital requirements	
Credit risk, counterparty risk, dilution risk and delivery risk (standardized approach)	10,989
Price and exchange rate risk	642
Operational risk	7,152
Transitory and other capital requirements	3,997
Total capital required	22,780
Capital surplus	19,507

k) Valuation adjustments

This balance sheet heading includes the net balance of changes in the fair value of assets classified as available-for-sale which must be deferred in equity. These changes are reclassified to profit or loss when the underlying assets are sold (for an itemization of these assets, see Note 10).

l) Non-controlling interests

The following table presents the breakdown of the movement in this consolidated balance sheet heading in 2014 and 2013 and the profit or loss attributable to non-controlling interests:

2014

	%	Thousands of euros			Balance at 12/31/14	
		Shareholding at 12/31/14	Balance at 12/31/13	Profit (loss) for the year		Other
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	0.09		1	-	-	1
Renta 4 Guipúzcoa, S.A.	85.00		1,262	333	(89)	1,506
Renta 4 Inversiones de Valladolid, S.A.	1.00		7	-	(4)	3
Renta 4 Lérida, S.A.	18.34		17	-	-	17
Renta 4, Inversiones inmobiliarias (Antes Renta 4 On line, S.A.)	1.00		1	-	-	1
Rentsegur Correduría de Seguros, S.A.	27.51		22	1	-	23
Renta 4 Equities, S.A.	0.11		1	-	-	1
			<u>1,311</u>	<u>334</u>	<u>(93)</u>	<u>1,552</u>

2013

	%	Thousands of euros			Balance at 12/31/13	
		Shareholding at 12/31/13	Balance at 12/31/12	Profit (loss) for the year		Other
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	0.09		1	-	-	1
Renta 4 Guipúzcoa, S.A.	85.00		1,154	102	6	1,262
Renta 4 Inversiones de Valladolid, S.A.	1.00		7	-	-	7
Renta 4 Lérida, S.A.	18.34		17	-	-	17
Renta 4, Inversiones inmobiliarias (Antes Renta 4 On line, S.A.)	1.00		1	-	-	1
Rentsegur Correduría de Seguros, S.A.	27.51		23	(1)	-	22
Renta 4 Equities, S.A.	0.11		1	-	-	1
Renta 4 Corredores de Bolsa (Note 3)	-		587	60	(647)	-
			<u>1,791</u>	<u>161</u>	<u>(641)</u>	<u>1,311</u>

19. CONTINGENT EXPOSURES AND COMMITMENTS

a) Contingent exposures

The breakdown of contingent exposures, understood as transactions in which Group companies guarantee third-party obligations by granting financial guarantees or signing other kinds of agreements, at year-end 2014 and 2013 is shown in the table below:

	Thousands of euros	
	2014	2013
Financial guarantees and others	13	2,500
	<u>13</u>	<u>2,500</u>

A significant portion of these guarantees will expire without the Group companies having to make any payment; accordingly, the total sum of these commitments should not be considered a real requirement on the part of the Group to provide liquidity or financing to third parties.

b) Contingent commitments

The breakdown of contingent commitments, meaning irrevocable commitments that could give rise to the recognition of financial assets, at year-end 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Loan commitments	565	1,087
	<u>565</u>	<u>1,087</u>

This heading reflects commitments made to provide financing on certain previously stipulated terms and conditions.

The breakdown by counterparty of the loan commitments in respect of credit accounts signed with third parties to finance their equity market trading activities in 2014 and 2013 (indicating the related limits and amounts pending drawdown) is provided below:

	Thousands of euros			
	2012		2013	
	Limit	Undrawn	Limit	Undrawn
Drawn by third parties				
By other resident sectors	13,557	565	13,965	1,087
By other non-resident sectors	-	-	801	-
	<u>13,557</u>	<u>565</u>	<u>14,766</u>	<u>1,087</u>

The average interest rate charged for extending commitments of this nature was 3-month Euribor plus a spread of 2% at December 31, 2014 (year-end 2013: 3-month Euribor + 2,50%).

c) Legal proceedings and/or claims underway

At both year-ends the Group was party to a number of legal proceedings and claims arising in the ordinary course of business. Both the directors and their legal counsel believe that the outcome of these cases and claims will not have a material impact on the accompanying consolidated financial statements.

20. TAX SITUATION

The Company files a consolidated income tax return with the following companies comprising the tax group:

<u>Company</u>	<u>Head Office</u>
Renta 4 Aragón, S.A.	Madrid
Sistemas de Inversiones Renta 4 Benidorm, S.A.	Benidorm
Renta 4 Burgos, S.A.	Madrid
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid
Renta 4 Huesca, S.A.	Madrid
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	Madrid
Renta 4 Inversiones Inmobiliarias (antes Renta 4 On-Line, S.A.)	Madrid
Renta 4 Pensiones, S.G.F.P., S.A.	Madrid
Renta 4 Sociedad de Valores, S.A.	Madrid
Renta 4 Equities, S.A. (formerly Renta 4 Tarragona, S.A.)	Madrid
Renta 4 Inversiones de Valladolid, S.A.	Madrid
Renta 4 Lérida, S.A.	Madrid
Padinco Patrimonios, S.A.	Madrid
Renta 4 Corporate, S.A.	Madrid

In accordance with current Spanish legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. At year-end, the companies comprising the Group had their books open to inspection for the last four years in respect of all applicable taxes. The parent's directors consider that no additional tax liabilities would arise from a potential tax inspection.

The breakdown of income tax expense and the reconciliation of tax expense and the product of accounting profit before tax and the average rate of tax applicable to the Group (30%) in 2014 and 2013 are shown below:

	Thousands of euros	
	2014	2013(*)
Consolidated profit before taxes	19,510	14,796
30% tax rate	5,853	4,439
Adjustments to prior year income tax expense	-	-
Deductions	(65)	(65)
Adjustment of deferred taxes arising from change in tax rates	(2)	(2)
Effect of non-deductible/taxable items	21	(1,069)
Income tax expense	5,807	3,303
Adjustments to prior year income tax expense	-	-
Effect of deferred taxes	605	389
Other adjustments	(894)	885
Current tax payable	5,518	4,577
Withholdings and prepayments	(4,972)	(3,521)
Tax payable	546	1,056

(*) Considering the effects of the restatement detailed in Note 2.2

In addition, taxes have been recognized with a charge/(credit) to equity, related to the valuation of available-for-sale financial assets of (245) and (107) thousand euros in 2014 and 2013, respectively.

Based on the tax returns filed by the Group and the estimates of tax payable for 2014, the Group has the following loss carryforwards that it may apply against future tax profits:

Year generated	Thousands of euros	
	2014	2013
2013	3	-
2009	-	-
2005	1	1
2004	404	404
2003	-	-
2002	1	1
2001	23	23
2000	34	34
1999	4	4
	470	467

These loss carryforwards include those generated by individual companies prior to their inclusion in the tax Group, as well as those generated by companies not belonging to the tax group.

The breakdown of current tax assets and tax liabilities is as follows:

Current tax assets	Thousands of euros	
	2014	2013
Current tax assets - VAT receivable		
VAT receivable from Spanish tax authorities	-	57
	<u>-</u>	<u>57</u>
	<u>-</u>	<u>57</u>
Current tax liabilities	Thousands of euros	
	2014	2013
Current tax liabilities - Corporate income tax payable		
Corporate income tax payable to the Spanish tax authorities	546	1,056
Current tax liabilities - Other taxes payable		
Withholdings on unitholders in respect of UCIT redemptions	915	383
Personal Income Tax (IRPF for its initials in Spanish)	624	563
Others	109	
Business tax (IAE for its initials in Spanish)	71	-
Taxes in Chile	10	7
Personal income tax withholdings, rentals	21	19
Personal income tax withholdings, dividends	378	225
	<u>2,128</u>	<u>1,197</u>
	<u>2,674</u>	<u>2,253</u>

The breakdown of deferred tax assets and liabilities corresponding to temporary differences arising between the carrying amount of certain assets and liabilities and their value for tax purposes is as follows:

Deferred tax assets	Thousands of euros	
	Temporary differences	Tax effect
<u>2014</u>		
Unrealized gains (losses) reserve for available-for-sale financial assets	210	63
Other	6,763	2,029
	<u>6,973</u>	<u>2,092</u>
<u>2013</u>		
Unrealized gains (losses) reserve for available-for-sale financial assets	1,041	321
Other	3,993	1,198
Restatement effect (Note 2.2)	1,553	466
	<u>6,587</u>	<u>1,985</u>

	Thousands of euros	
	Temporary differences	Tax effect
<u>Deferred tax liabilities</u>		
<u>2014</u>		
Valuation for tax purposes of assets held under finance leases	4,960	1,488
Other	4,960	1,488
	<u>4,960</u>	<u>1,488</u>
<u>2013</u>		
Valuation for tax purposes of assets held under finance leases	4,690	1,407
Other	-	-
	<u>4,690</u>	<u>1,407</u>

The movement in deferred tax assets and liabilities is as follows:

	Thousands of euros			
	2014		2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance at January 1	1,985	1,407	522	1,335
Increases	831	81	1,103	81
Decreases	(258)	-	(106)	(9)
Restatement effect (Note 2.2)	(466)	-	466	-
Balance at December 31	<u>2,092</u>	<u>1,488</u>	<u>1,985</u>	<u>1,407</u>

21. RELATED PARTIES

In 2014 and 2013 the Group defines its related parties as its key management personnel, comprising the members of the parent's Board of Directors and of the senior management team, namely one general manager, and the companies owned by the parent company's directors.

a) Related-party transactions and balances

The transactions undertaken with Group companies in 2014 and 2013 and the related balances outstanding at year-end are summarized below:

	Thousands of euros				Total
	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	
Income and expenses					
Expenses					
Interest and similar expense	-	-	-	-	-
Lease expense	-	11	-	-	11
Services received	-	5	1,605	48	1,658
Total	-	16	1,605	48	1,669
Income					
Interest and similar income	126	129	-	11	266
Lease income	-	-	38	-	38
Services rendered	27	4	29	1	61
Total	153	133	67	12	365
Assets					
Loans secured by physical property (**)	-	2,413	-	-	2,413
Financial guarantee commissions due	-	-	-	-	-
Receivable from other financial debtors	-	-	588	-	588
Loans and advances to customers	-	-	-	-	-
Other financial assets	-	2	-	-	2
Total	-	2,415	588	-	3,003
Liabilities					
Customer deposits	300	74	2,955	5	3,334
Other financial liabilities	-	6	7	-	13
Total	300	80	2,962	5	3,347

(*) Significant shareholders who are also directors or executives are included in the "Directors and executives" column

	Thousands of euros				Total
	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	
Other transactions					
Financing, loans and capital contribution agreements (borrower)	-	2,413	-	-	2,413
Amortization or cancelation of loans and borrowing facilities	4,000	1,000	-	-	5,000
Other asset transactions	-	2	588	-	590
Other liability transactions	300	80	2,962	5	3,347
Dividends paid	996	1,468	-	-	2,464
Guarantees and sureties (Note 10.a)	-	-	-	-	-

(*) Significant shareholders who are also directors or executives are included in the "Directors and executives" column

The transactions undertaken with significant shareholders and directors and executives in 2014 and the related balances outstanding at year-end are summarized below:

Position	Transaction type	Principal	Amount drawn	Collateral	Maturity
Directors and executives	Securities loan	2,000	2,000	2,859	21/03/2016
Directors and executives	Securities loan	271	271	318	09/05/2018
Directors and executives	Securities loan	142	142	205	26/10/2016

	Thousands of euros				Total
	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	
2013					
Income and expenses					
Expenses					
Lease expense	-	21	-	-	21
Services received	-	13	2,779	48	2,840
Total	-	34	2,779	48	2,861
Income					
Interest and similar income	-	-	6	-	6
Finance income	156	131	-	47	334
Services rendered	437	80	1,337	81	1,935
Total	593	211	1,343	128	2,275
Assets					
Loans secured by physical property (**)	4,000	3,413	-	-	7,413
Financial guarantee commissions due	-	-	17	-	17
Receivable from other financial debtors	-	2	-	-	2
Loans and advances to customers	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	4,000	3,415	17	-	7,432
Liabilities					
Customer deposits	-	90	2,638	-	2,728
Other financial liabilities	-	-	-	4	4
Total	-	90	2,638	4	2,732

(*) Significant shareholders who are also directors or executives are included in the "Directors and executives" column

(**) Includes contingent commitments

	Thousands of euros				Total
	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	
2013					
Other transactions					
Financing, loans and capital contribution agreements (borrower)	4,000	3,413	-	-	7,413
Amortization or cancelation of loans and borrowing facilities	-	1,000	-	-	1,000
Other asset transactions	-	2	17	-	19
Other liability transactions	-	90	2,638	4	2,732
Dividends paid	437	875	-	-	1,312
Guarantees and sureties (Note 10)	-	9,954	-	-	9,954

(*) Significant shareholders who are also directors or executives are included in the "Directors and executives" column

All related-party transactions are carried out on an arm's length basis.

The transactions undertaken with significant shareholders and directors and executives in 2013 and the related balances outstanding at year-end are summarized below:

Position	Transaction type	Principal	Amount drawn	Collateral	Maturity
Directors and executives	Securities loan	3,000	3,000	3,542	21/03/2016
Directors and executives	Securities loan	4,000	3,904	4,584	30/06/2014
Directors and executives	Securities loan	271	271	292	22/12/2014
Directors and executives	Securities loan	142	75	177	26/10/2016

In addition, at December 31, 2014 securities belonging to related parties amounting to 88,665 thousand euros (December 31, 2013: 70,442 thousand euros) are deposited with a Group company.

Director-related disclosures

The composition of the Board of Directors and the compensation received by the parent's directors in their capacity as board members is shown below:

	Thousands of euros			Total
	Board of Directors	Board committees	Other compensation	
2014				
<u>Board members</u>				
GARCÍA MOLINA, FRANCISCO DE ASÍS	60	-	-	60
NAVARRO MARTÍNEZ, PEDRO ÁNGEL	60	-	-	60
MUTUALIDAD DE LA ABOGACÍA	71	-	-	71
FUNDACIÓN OBRA SOCIAL DE LA ABOGACÍA ESPAÑOLA	71	-	-	71
FERRERAS DIEZ, PEDRO	60	-	-	60
TRUEBA CORTES, EDUARDO	60	-	-	60
RODRÍGUEZ-SAHAGÚN MARTÍNEZ, SOFÍA	60	-	-	60
Total	442			442

	Thousands of euros			Total
	Board of Directors	Board committees	Other compensation	
2013				
<u>Board members</u>				
GARCÍA MOLINA, FRANCISCO DE ASÍS	60	-	-	60
NAVARRO MARTÍNEZ, PEDRO ÁNGEL	60	-	-	60
MUTUALIDAD DE LA ABOGACÍA	71	-	-	71
FUNDACIÓN OBRA SOCIAL DE LA ABOGACÍA ESPAÑOLA	71	-	-	71
FERRERAS DIEZ, PEDRO	60	-	-	60
TRUEBA CORTES, EDUARDO	60	-	-	60
RODRÍGUEZ-SAHAGÚN MARTÍNEZ, SOFÍA	60	-	-	60
Total	442	-	-	442

Compensation of key management personnel

The Group defines its key management personnel as the members of the parent company's Board of Directors and the members of its senior management team, which comprises a general manager.

The compensation accrued by key management personnel is itemized below:

Concept	Thousands of euros	
	Directors	Senior managers
2014		
Wages and salaries	1,571	217
Total	1,571	217
2013		
Wages and salaries (includes pension plan contributions)	945	185
Total	945	185

In addition, the Group has an insurance policy to cover its liabilities with members of the Board of Directors and senior management for potential claims in the discharge of their duties. The premium paid by the Group in 2014 was 50 thousand euros (2013: 48 thousand euros).

The Group has a keyman insurance policy to cover its obligations in the event of death and disability of its senior managers. The premium paid by the Group in 2014 in this connection was 0.1 thousand euros (2013: 0.1 thousand euros).

Other information on directors

In keeping with the disclosures required under article 229 of Royal Decree-Law 1/2010, of July 2, 2010, enacting the consolidated text of the Corporate Enterprises Act, none of the directors of the parent company had informed the other members of the parent's Board of Directors of any potential direct or indirect conflict of interest between them (or their related parties) and the Company by year-end 2014.

22. INCOME AND EXPENSE

a) Interest and similar income, interest and similar charges, returns on equity instruments, gains (losses) on financial assets and liabilities (net)

The breakdown of these consolidated income statement headings is provided below:

	Thousands of euros	
	2014	2013
Interest and similar income		
Balances with central banks	276	12
Loans and advances to customers	760	905
Debt securities	4,325	4,843
Due from credit institutions	2,172	3,486
	<u>7,533</u>	<u>9,246</u>
Interest and similar expense		
Due to central banks	(522)	(932)
Marketable debt securities	(137)	(647)
Due to credit institutions	(286)	(822)
Customer deposits	(564)	(785)
	<u>(1,509)</u>	<u>(3,186)</u>
Gains/ (losses) on financial asset and liabilities (net)		
Held-for-trading	7,196	4,770
Available-for-sale financial assets	1,033	1,690
	<u>8,229</u>	<u>6,460</u>

b) Fees and commissions

“Fee and commission income” and “Fee and commission expense” in the accompanying income statement include the amounts of all fees and commissions accrued (received and paid or payable) by the Group companies during the year. The criteria used to recognize fee and commission income are detailed in note 4.o).

The breakdown of these headings in 2014 and 2013 is provided in the table below:

	Thousands of euros	
	2014	2013
Fee and commission income		
Contingent liabilities	1	1
Securities services	60,317	50,280
Sale of non-banking financial products	4,230	2,752
Management of UCITs and pension funds	38,474	26,663
Other fees and commissions	1,949	3,005
	<u>104,971</u>	<u>82,700</u>
Fee and commission expense		
Paid to other entities and correspondent banks	(40,014)	(31,716)
Securities trading	(14,300)	(10,327)
	<u>(54,314)</u>	<u>(42,043)</u>

c) Other operating income and expense

The breakdown of “Other operating income” in the consolidated income statement heading in 2014 and 2013:

	Thousands of euros	
	2014	2013
Other products	294	362
	<u>294</u>	<u>362</u>

This heading includes the income generated by the provision of services to multiple Group companies.

The breakdown of “Other operating expense” in 2014 and 2013:

	Thousands of euros	
	2014	2013(*)
Other charges	130	194
Contribution to the Investment Guarantee Fund	40	40
Contribution to the Deposits Guarantee Fund	1,065	1,786
	<u>1,235</u>	<u>2,020</u>

(*) Considering the effects of the restatement detailed in Note 2.2

In 2014 and 2013, the Group contributed to the Investment Guarantee Fund for investment service firms and their groups. Since 2012, the Group also contributes to the Deposit Guarantee Fund for credit institutions and their groups.

Royal Decree-Law 6/2013, of March 22, 2013, stipulated an exceptional contribution to the Deposit Guarantee Fund of 0.003% of the deposits held by the member entities at December 31, 2012, stipulating the contribution of the first instalment (two-fifths of the total) within the first 20 business days of 2014, net of any deductions provided for under the scope of this same piece of legislation. In order to orchestrate the payment of this first tranche, the Management Committee of the Deposit Guarantee Fund, in a meeting held on November 22, 2013, agreed the above-mentioned deductions, as so empowered, specifically approving a deduction of up to 50% of contributions for member entities whose calculation base is less than 5 billion euros, this being the case of the parent. At the date of authorizing the accompanying financial statements for issue, the Management Committee of the Deposit Guarantee Fund had yet to notify the affected entities of the timeline for making the second instalment of this one-off contribution, which in the case of the parent amounts to 699 thousand euros.

In a meeting held on June 10, 2014, the Management Committee agreed to schedule the first instalment of this second tranche for September 20, 2014 in an amount equivalent to one-seventh of the total balance due. This payment was made on September 30, 2014 in the amount of 100 thousand euros (which is one-seventh of the 699 thousand euro payment due under the second tranche). In addition, in its meeting of December 17, 2014, the Committee agreed to structure the settlement of the remainder of the said second tranche into two equal instalments, payable on June 30, 2015 and June 30, 2016.

Having applied the new accounting treatment to recognize these contributions (outlined in note 2.2), the contributions made by the parent to the Deposit Guarantee Fund in respect of 2014 amounted to 1,065 thousand euros (1,786 thousand euros in 2013).

d) Personnel expenses

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Wages and bonuses, active personnel	19,799	16,705
Social security payments	3,571	3,024
Contributions to defined benefit plans	8	5
Contributions to defined contribution plans	207	187
Termination benefits	44	117
Other personal expenses	92	-
Training expenses	52	33
Parent company share-based payments	361	255
	<u>24,134</u>	<u>20,326</u>

In 2014, "Wages and bonuses" in the table above included, among other items, finance income in the amount of 10 thousand euros generated by loans granted to employees to fund the purchase of Company shares. Income in this respect amounted to 25 thousand euros in 2013 and was included within "Other employee benefits".

The total number of Group employees, by professional category, was as follows:

2014:

	Number of employees			
	Average		Year-end	
	Men	Women	Men	Women
Management personnel	15	-	15	-
Technicians	216	92	223	96
Administrative staff	25	38	27	44
	<u>256</u>	<u>130</u>	<u>265</u>	<u>140</u>

2013:

	Number of employees			
	Average		Year-end	
	Men	Women	Men	Women
Management personnel	13	-	14	-
Technicians	190	86	200	88
Administrative staff	23	28	22	31
	<u>226</u>	<u>114</u>	<u>236</u>	<u>119</u>

The Board of Directors of Renta 4 Banco, S.A., which is responsible for authorizing the accompanying consolidated financial statements for issue, is made up of nine men, one woman and two corporate bodies.

e) Other general administrative expenses

The breakdown of this heading in the accompanying consolidated income statement for the years ended December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Property, fixtures and equipment	3,864	3,249
IT	2,324	2,005
Communications	3,777	3,667
Advertising and publicity	1,073	959
Technical reports	1,462	1,388
Court and legal fees	506	362
Insurance and self-insurance premiums	217	191
Entertainment and employee travel expenses	1,274	1,024
Association membership fees	82	94
Levies and other contributions		
Property tax	91	136
Other	436	237
Endowments	109	58
Other expenses	979	912
	<u>16,194</u>	<u>14,282</u>

f) Impairment losses on assets

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Loans and advances to customers		
Allowances	(776)	(302)
Recoveries	259	325
	<u>(517)</u>	<u>23</u>
Available-for-sale financial assets (note 10)	<u>(930)</u>	<u>(743)</u>
	<u>(1,447)</u>	<u>(720)</u>

g) Exchange differences (net)

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Concept		
Trade	1,787	1,137
	<u>1,787</u>	<u>1,137</u>

23. ADDITIONAL INFORMATION

a) Fiduciary activities and investment services

The breakdown of off-balance sheet customer funds at year-end 2014 and 2013 (on a consolidated basis and eliminating overlap) is as follows:

	Thousands of euros	
		2013
Mutual and pension funds	4,467,867	3,225,597
Discretionary portfolios under management	<u>300,995</u>	<u>265,971</u>
Funds managed by the Group	<u>4,768,862</u>	<u>3,491,568</u>
Investment funds and companies	<u>726,376</u>	<u>501,943</u>
Funds marketed but not managed by the Group	<u>726,376</u>	<u>501,943</u>
Total	<u>5,495,238</u>	<u>3,993,511</u>

The net fee and commission income generated by the management of the above-listed assets in 2014 and 2013 is shown below:

	Thousands of euros	
	2014	2013
Asset management fees	1,056	1,137
Fees and commissions generated by the marketing of non-banking financial products (note 22.b)	4,230	2,752
Fees from the management of UCITs and pension funds (note 22.b)	38,474	26,663
	<u>43,760</u>	<u>30,552</u>

At December 31, 2014 and 2013, the Renta 4 Group managed assets held in mutual funds and pension funds of 4,468 million euros and 3,226 million euros, respectively.

In addition, the Group provides securities management and custodian services to its clients. The commitments assumed by the Group at year-end 2014 and 2013 in connection with this service are as follows:

	Thousands of euros	
	2014	2013
Securities owned by third parties		
Equity instruments	8,541,641	7,212,569
Debt instruments	1,768,950	1,321,009
	<u>10,310,951</u>	<u>8,533,578</u>

b) Branches

A list of Renta 4 Banco, S.A. branches in 2014 and 2013 is provided in Appendix II.

c) Agency agreements

Appendix III to the accompanying consolidated annual financial statements provides the disclosures required under article 22 of Spanish Royal Decree 1245/1995, of July 14, on the duty of credit institutions operating in Spain to include a list of their agents, indicating the scope of powers granted, in the financial statement notes.

d) Audit fees

The breakdown of fees paid by the Group to the EY organization (the Group's auditor) worldwide in 2014:

- For audit work: 207 thousand euros.
- For the performance of assessment services and other services akin to audit work in order to comply with regulatory or supervisor-imposed requirements: 35 thousand euros.
- For other professional services rendered: 97 thousand euros.

The fees corresponding to the audit of the 2013 financial statements totaled 189 thousand euros. In addition, the fees paid that year for services other than the consolidated financial statement review work rendered by the auditor or by other firms belonging to its international network amounted to 132 thousand euros.

e) Unclaimed balances and deposits

In conformity with the stipulations of article 18 of Law 33/2003, of November 3, on the equity of public administrations, the Group reports that it has no unclaimed balances and deposits as defined by the aforementioned article.

f) Customer service

In 2012 and 2011, the Group adopted the appropriate measures to comply with the requirements and duties of Ministry of Economics Order ECO/734/2004 dated March 11 on customer services departments, customer services and the ombudsman of financial institutions. Article 17 of this order stipulates that customer departments and services, and financial ombudsmen of financial institutions, if any, must present an annual report to the Board of Directors explaining the actions carried out during the preceding year.

The Group received 22 complaints and claims in 2014 and 33 in 2013, all of which were accepted and processed. Of these, 55% and 73%, respectively, were ruled in favor of the Group.

Six claims were lodged before the Bank of Spain and the CNMV in 2014 (eight in 2013).

The Renta 4 Group Customer Service Report is attached as Appendix V.

g) Environmental impact

In light of the business activities pursued by the Group companies, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of their equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Group companies did not have any greenhouse gas emission allowances in either 2014 or 2013.

h) Information about the average period of payment to suppliers

The average payment period to suppliers during the year was 30 days (30 in 2013).

i) Agreements among Group companies

On January 2, 2012, Renta 4 Sociedad de Valores, S.A. (the brokerage) signed an open-ended investment service provision agreement with Renta 4 Banco, S.A. (the bank), under which it commits to provide the bank with custody, administration, settlement and brokerage services. Both parties agree to adjust daily, as a function of the volumes (number of trades, asset values, markets, etc.) administered, settled and sub-custodied by Renta 4 Sociedad de Valores, S.A., the fees and commissions that the brokerage will receive for providing the services stipulated in the agreement.

On January 2, 2012, Renta 4 Sociedad de Valores, S.A. signed a sub-lease with Renta 4 Banco, S.A. under which the brokerage, in its capacity as sub-lessee, commits to pay the bank, in its capacity as sub-lessor, an annual amount of 283,200 euros in 12 monthly payments of 23,600 euros as rent for the lease of 1,125 square meters in the building located at Paseo de la Habana 74, Madrid (note 13). This floor space will be devoted to the provision of investment and financial brokerage services in general. The sub-lessee has deposited 14,098 euros to guarantee fulfillment of its obligations under the agreement. The lease term is 10 years and is tacitly renewable for additional one-year terms for a maximum of five years.

No new contracts were signed with Group companies in 2014 and 2013.

j) Annual Banking Report

The information required to comply with the provisions of article 87.1 of Law 10/2014, of June 26, 2014, on the structuring, supervision and capital adequacy of credit institutions, is provided in Appendix VI.

24. EVENTS AFTER THE BALANCE SHEET DATE

The Group's parent acquired the remaining 85% interest in Renta 4 Guipúzcoa, S.A. for 4,734 thousand euros in February 2015.

Other than the foregoing, no other significant events have occurred between the reporting date and the date on which the Board of Directors of the parent authorized the consolidated financial statements for issue that warrant disclosure in the accompanying consolidated financial statements to ensure fair presentation of the Group's equity, financial situation, financial performance or cash flows.

25. ADDITIONAL EXPLANATION REGARDING THE TRANSLATION OF THE CONSOLIDATED FINANCIAL STATEMENTS INTO ENGLISH

This document is a translation of the consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

APPENDICES

RENTA 4 BANCO, S.A. AND SUBSIDIARIES
Breakdown of investments
in subsidiaries and associates
at December 31, 2014

Company	Head office	Line of business	% shareholding			Thousands of euros (*)				
			Direct	Indirect	Total	Capital	Reserves	Valuation adjustments	Profit/(loss)	Dividends
<u>Group companies/subsidiaries</u>										
Carterix, S.A.	Madrid	Financial services	5.00	94.92	99.92	782	(301)	-	(25)	-
Renta 4 Aragón, S.A.	Madrid	Financial services	99.96	-	99.96	62	9	-	-	-
Sociedad de Estudios e Inversiones, S.A.	Benidorm	Financial services	-	100.00	100.00	60	(21)	-	-	-
Renta 4 Burgos, S.A.	Madrid	Financial services	99.97	-	99.97	34	10	-	-	-
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid	CIS management company	99.99	-	99.99	2,374	2,964	(69)	1,775	-
Renta 4 Guipúzcoa, S.A. (*)	San Sebastián	Financial services	-	15.00	15.00	60	1,320	-	392	-
Renta 4 Huesca, S.A.	Madrid	Financial services	99.94	-	99.94	3	(2)	-	-	-
Renta 4 Inversiones de Valladolid, S.A.	Madrid	Financial services	85.00	14.00	99.00	60	271	-	(2)	-
Renta 4 Lérida, S.A.	Madrid	Financial services	81.66	-	81.66	90	2	-	(2)	-
Renta 4 Inversiones Inmobiliarias S.A.	Madrid	Financial services	99.00	-	99.00	60	(6)	-	(1)	-
Renta 4 Pensiones, E.G.F.P., S.A.	Madrid	Pension fund management	99.99	-	99.99	3,889	1,176	(38)	561	-
Renta 4, Sociedad de Valores, S.A.	Madrid	Stockbroking	100.00	-	100.00	3,149	15,766	(87)	3,740	-
Renta 4 Equities	Madrid	Financial services	-	99.90	99.90	15	489	(12)	(33)	-
Renta 4 Corporate, S.A.	Madrid	Advisory and consulting	100.00	-	100.00	92	72	-	81	-
Renta 4 Vizcaya, S.A.	Bilbao	Financial services	-	99.99	99.99	391	(365)	-	(1)	-
Rentsegur, Correduría de Seguros, S.A.	Madrid	Insurance brokerage	-	72.50	72.50	75	(39)	-	2	-
Padinco Patrimonios, S.A.	Madrid	Financial services	100.00	-	100.00	105	92	-	-	-
Renta 4 Chile SPA	Chile	Financial services	100.00	-	100.00	4,657	(273)	50	(3)	-
Inversiones Renta 4 Chile, S.L.	Chile	Financial services	-	100.00	100.00	2,765	(224)	57	5	-
Renta 4 Chile Corredores de Bolsa, S.A.	Chile	Financial services	-	100.00	100.00	2,456	237	(247)	19	-
Renta 4 Colombia SAS	Bogotá	Financial services	100.00	-	100.00	337	-	(20)	(98)	-
Renta 4 Agente de Bolsa S.A.	Lima	Financial services	99.99	-	99.99	1,150	(20)	4	(191)	-
W4I Investment Advisory limited.	UK	Financial services	100.00	-	100.00	-	-	-	-	-
<u>Associate</u>										
Renta Markets, S.A.	Madrid	Financial services	34.49	-	34.49	3,910	947	-	641	-
Hanson Asset Management Limited	UK	Financial services	14.98	-	14.98	3,467	(409)	-	(633)	-
Mercor-Global-Plus S.I.C.A.V, S.A.	Madrid	Other credit activities	99.95	-	99.95	3,772	1,548	-	(121)	-

This appendix is an integral part of note 3 to the accompanying consolidated financial statements and should be read in conjunction therewith.

(*) Although the Renta 4 Group does not hold an ownership interest that gives it the majority of this investee's voting rights, the business of Renta 4 Guipúzcoa, S.A. is to perform sales and business representation duties for the Renta 4 Group. As a result, all this investee's income is generated by the fees split with it by Renta 4 as a function of the business generated by Renta 4 Guipúzcoa for the Group. Therefore, Renta 4 believes that the relationship with Renta 4 Guipúzcoa, S.A. gives it the power to control the latter's financial and operating policies (IAS 27.13), which is why this investee is fully consolidated.

RENTA 4 BANCO, S.A. AND SUBSIDIARIES
Breakdown of investments
in subsidiaries and associates
at December 31, 2013

Company	Head office	Line of business	% shareholding			Thousands of euros (*)				
			Direct	Indirect	Total	Capital	Reserves	Valuation adjustments	Profit/(loss)	Dividends
<u>Group companies/subsidiaries</u>										
Carterix, S.A.	Madrid	Financial services	5.00	94.92	99.92	782	(56)	-	(245)	-
Renta 4 Aragón, S.A.	Madrid	Financial services	99.96	-	99.96	62	9	-	-	-
Sociedad de Estudios e Inversiones, S.A.	Benidorm	Financial services	-	100.00	100.00	42	(21)	-	-	-
Renta 4 Burgos, S.A.	Madrid	Financial services	99.97	-	99.97	34	10	-	-	-
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid	CIS management company	99.99	-	99.99	2,374	1,922	(91)	1,042	-
Renta 4 Guipúzcoa, S.A. (*)	San Sebastián	Financial services	-	15.00	15.00	60	1,200	104	120	-
Renta 4 Huesca, S.A.	Madrid	Financial services	99.94	-	99.94	3	(2)	-	-	-
Renta 4 Inversiones de Valladolid, S.A.	Madrid	Financial services	85.00	14.00	99.00	60	686	-	(415)	-
Renta 4 Lérida, S.A.	Madrid	Financial services	81.66	-	81.66	90	3	-	(1)	-
Renta 4 On Line, S.A.	Madrid	Financial services	99.00	-	99.00	15	(6)	-	-	-
Renta 4 Pensiones, E.G.F.P., S.A.	Madrid	Pension fund management	99.99	-	99.99	3,288	423	61	463	-
Renta 4, Sociedad de Valores, S.A.	Madrid	Stockbroking	100.00	-	100.00	3,149	12,055	(38)	3,687	-
Renta 4 Equities	Madrid	Financial services	-	99.90	99.90	15	491	4	(2)	-
Renta 4 Corporate, S.A.	Madrid	Advisory and consulting	100.00	-	100.00	92	120	-	(47)	-
Renta 4 Vizcaya, S.A.	Bilbao	Financial services	-	99.99	99.99	391	(365)	-	-	-
Rentsegur, Correduría de Seguros, S.A.	Madrid	Insurance brokerage	-	72.50	72.50	75	(36)	-	(3)	-
Padinco Patrimonios, S.A.	Madrid	Financial services	100.00	-	100.00	105	87	-	4	-
Renta 4 Chile SPA	Chile	Financial services	100.00	-	100.00	2,917	(234)	53	(39)	-
Inversiones Renta 4 Chile, S.L.	Chile	Financial services	-	100.00	100.00	2,035	-	22	(122)	(102)
Renta 4 Chile Corredores de Bolsa, S.A.	Chile	Financial services	-	100.00	100.00	1,642	103	(238)	334	(199)
Renta 4 Colombia SAS	Bogotá	Financial services	100.00	-	100.00	38	-	(2)	-	-
Renta 4 Agente de Bolsa S.A.	Lima	Financial services	99.99	-	99.99	488	-	(19)	(20)	-
<u>Associate</u>										
Renta Markets, S.A.	Madrid	Financial services	34.99	-	34.99	3,910	1,495	-	1,125	-
Outlook Inversiones Sicav S.A.	Madrid	Investment fund	30.80	-	30.80	2,974	657	-	(5)	-

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(*) Although the Renta 4 Group does not hold an ownership interest that gives it the majority of this investee's voting rights, the business of Renta 4 Guipúzcoa, S.A. is to perform sales and business representation duties for the Renta 4 Group. As a result, all this investee's income is generated by the fees split with it by Renta 4 as a function of the business generated by Renta 4 Guipúzcoa for the Group. Therefore, Renta 4 believes that the relationship with Renta 4 Guipúzcoa, S.A. gives it the power to control the latter's financial and operating policies (IAS 27.13), which is why this investee is fully consolidated.

RENTA 4 BANCO, S.A. AND SUBSIDIARIES

List of subsidiaries
at December 31, 2014

Office	Address	City
Renta 4 A Coruña	Rua de Teresa Herrera, 8 Bajo	A Coruña
Renta 4 Albacete	Plaza de Gabriel Lodares, 4 Bajo	Albacete
Renta 4 Alicante	Av de Oscar Espla, 29, bajo	Alicante
Renta 4 Almeria	Avda. de Federico Garcia Lorca, 21	Almeria
Renta 4 Avila	Av de Portugal, 39	Avila
Renta 4 Badajoz	Calle Ronda Pilar, 2 - Bajo izquierda	Badajoz
Renta 4 Barcelona	Passeig de Gracia, 77 - Principal	Barcelona
Renta 4 Barcelona - Diagonal	Avinguda Diagonal, 457 - 08036 Barcelona	Barcelona
Renta 4 Bilbao	Calle Elcano, 14	Vizcaya
Renta 4 Burgos	Av de la Paz, 3 Bajo	Burgos
Renta 4 Caceres	Calle Gil Cordero, 6 Bajo	Caceres
Renta 4 Cadiz	Av de Cayetano del Toro, 27	Cadiz
Renta 4 Cantabria	Calle de Rualasal, 17	Cantabria
Renta 4 Castellon	Carrer Gasset, 9	Castellon
Renta 4 Ciudad Real	Calle de Calatrava, 5 - Bajo	Ciudad Real
Renta 4 Cordoba	Paseo de la Victoria, 1	Cordoba
Renta 4 Cuenca	Av de Castilla-La Mancha, 4	Cuenca
Renta 4 Cullera	Passatge de l'Ullal 2, Bj, Ed Manantial	Valencia
Renta 4 Elche	Carrer de l'Hospital, 5	Alicante
Renta 4 Girona	Carrer Migdia 37	Girona
Renta 4 Gran Canaria	Calle Muelle las Palmas, 6	Gran Canaria
Renta 4 Granada	Plaza Isabel Catolica, 1 Pita 4 Of.4	Granada
Renta 4 Guadalajara	Calle Padre Felix Flores, 4	Guadalajara
Renta 4 Huelva	Paseo de Sta Fe, 1 bajo	Huelva
Renta 4 Huesca	Calle de Cavia, 8 Bajo	Huesca
Renta 4 Jaen	Av de Madrid, 20 Bajo	Jaen
Renta 4 Lanzarote	Av Doctor Rafael Gonzalez Negrin, 17 1ºB	Lanzarote
Renta 4 Leon	Av de Ordoño II, 11 - 1º	Leon
Renta 4 Lleida	Rambla de Ferran, 1	Lleida
Renta 4 Logroño	Calle Jorge Vigon, 22	La Rioja
Renta 4 Lugo	Rua de Montevideo, 7 - Bajo	Lugo
Renta 4 Madrid	Paseo de la Habana, 74	Madrid
Renta 4 Madrid - Serrano	Cl. Serrano, 63	Madrid
Renta 4 Madrid Sur	Calle de Valencia, 6 - local 4	Madrid
Renta 4 Malaga	Calle Hilera, 7 bajo	Malaga
Renta 4 Mallorca	Passeig de Mallorca, 32 Entlo.	Baleares
Renta 4 Murcia	Av General Primo de Rivera, 23	Murcia
Renta 4 Ourense	Rua do Progreso, 127	Ourense
Renta 4 Oviedo	Calle del General Yague, 1 (Conde Toreno)	Asturias
Renta 4 Palencia	Calle de Ignacio Martinez de Azcoitia, 5	Palencia
Renta 4 Pamplona	Paseo de Sarasate, 16 - Entreplanta	Navarra
Renta 4 Sabadell	Carrer de Vilarrubias, 9	Barcelona
Renta 4 Salamanca	C/ Toro, 76 - 1º	Salamanca
Renta 4 Segovia	Av de Fernandez Ladreda, 11 - 1ºA	Segovia
Renta 4 Sevilla	Av de la Buhaira, 11	Sevilla
Renta 4 Soria	Avda. Navarra 5	Soria
Renta 4 Tarragona	Rambla Nova, 114 (Acceso C/Pare Palau 1)	Tarragona
Renta 4 Tenerife	Calle El Pilar, 54	Santa Cruz de Tenerife
Renta 4 Terrassa	Carrer d'Arquimedes, 156 - Local	Barcelona
Renta 4 Teruel	Calle de Ramon y Cajal, 12 - Bajo	Teruel
Renta 4 Toledo	Calle Roma, 3 - Bajo	Toledo
Renta 4 Valencia	Plaza Alfonso El Magnanimo, 2	Valencia
Renta 4 Valladolid	Plaza de Santa Ana, 2 - 2ºB y C	Valladolid
Renta 4 Vigo	Avenida Garcia Barbon, 18	Vigo
Renta 4 Vitoria	Calle de la Florida, 18 - Bajo	Alava
Renta 4 Zamora	Calle de las Flores de San Torcuato, 14	Zamora
Renta 4 Zaragoza	C/ Leon XIII, 5	Zaragoza

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at December 31, 2013

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Renta 4 Almeria	Avda. de Federico Garcia Lorca, 21	Almeria
Renta 4 Avila	Av de Portugal, 39	Avila
Renta 4 Badajoz	Calle Ronda Pilar, 2 - Bajo izquierda	Badajoz
Renta 4 Barcelona	Passeig de Gracia, 77 - Principal	Barcelona
Renta 4 Bilbao	Calle Elcano, 14	Vizcaya
Renta 4 Burgos	Av de la Paz, 3 Bajo	Burgos
Renta 4 Caceres	Calle Gil Cordero, 6 Bajo	Caceres
Renta 4 Cadiz	Av de Cayetano del Toro, 27	Cadiz
Renta 4 Cantabria	Calle de Rualasal, 17	Cantabria
Renta 4 Castellon	Carrer Gasset, 9	Castellon
Renta 4 Ciudad Real	Calle de Calatrava, 5 - Bajo	Ciudad Real
Renta 4 Cordoba	Paseo de la Victoria, 1	Cordoba
Renta 4 Cuenca	Av de Castilla-La Mancha, 4	Cuenca
Renta 4 Cullera	Passatge de l'Ullal 2, Bj, Ed Manantial	Valencia
Renta 4 Elche	Carrer de l'Hospital, 5	Alicante
Renta 4 Girona	Carrer Migdia 37	Girona
Renta 4 Gran Canaria	Calle Muelle las Palmas, 6	Gran Canaria
Renta 4 Granada	Plaza Isabel Catolica, 1 Pta 4 Of.4	Granada
Renta 4 Guadalajara	Calle Padre Felix Flores, 4	Guadalajara
Renta 4 Huelva	Paseo de Sta Fe, 1 bajo	Huelva
Renta 4 Huesca	Calle de Cavia, 8 Bajo	Huesca
Renta 4 Jaen	Av de Madrid, 20 Bajo	Jaen
Renta 4 Lanzarote	Av Doctor Rafael Gonzalez Negrin, 17 1ºB	Lanzarote
Renta 4 Leon	Av de Ordoño II, 11 - 1º	Leon
Renta 4 Lleida	Rambla de Ferran, 1	Lleida
Renta 4 Logroño	Calle Jorge Vigon, 22	La Rioja
Renta 4 Lugo	Rua de Montevideo, 7 - Bajo	Lugo
Renta 4 Madrid	Paseo de la Habana, 74	Madrid
Renta 4 Madrid - Serrano	Ci. Serrano, 63	Madrid
Renta 4 Madrid Sur	Calle de Valencia, 6 - local 4	Madrid
Renta 4 Malaga	Calle Hileria, 7 bajo	Malaga
Renta 4 Mallorca	Passeig de Mallorca, 32 Entlo.	Baleares
Renta 4 Murcia	Av General Primo de Rivera, 23	Murcia
Renta 4 Ourense	Rua do Progreso, 127	Ourense
Renta 4 Oviedo	Calle del General Yague,1 (Conde Toreno)	Asturias
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Renta 4 Pamplona	Paseo de Sarasate, 16 - Entreplanta	Navarra
Renta 4 Sabadell	Carrer de Vilarrubias, 9	Barcelona
Renta 4 Salamanca	C/ Toro, 76 – 1º	Salamanca
Renta 4 Segovia	Av de Fernandez Ladreda, 11 - 1ºA	Segovia
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Renta 4 Teruel	Calle de Ramon y Cajal, 12 - Bajo	Teruel
Renta 4 Toledo	Calle Roma, 3 - Bajo	Toledo
Renta 4 Valencia	Plaza Alfonso El Magnanimo. 2	Valencia
Renta 4 Valladolid	Plaza de Santa Ana, 2 - 2ºB y C	Valladolid
Renta 4 Vigo	Avenida Garcia Barbon, 18	Vigo
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This appendix is an integral part of note 19 to the accompanying consolidated financial statements and should be read in conjunction therewith

RENTA 4 BANCO, S.A.
AND SUBSIDIARIES

List of Agents

AES GESTIÓ DE PATRIMONIS, S.L.
ALBAJAR GIMENEZ, MANUEL
ALGAR FINANCIAL PRODUCTS, S.L.
ARBITRAGE FINANZAS, S.L.
ARCOS BARAZAL, S.A.
BABALITA, S.A.
BAUCISA SISTEMAS, S.L.
CASTAÑE ECHEVARRÍA, JOSE MARIA
CASTAÑE Y ASOCIADOS INVEST, S.L.
COFINAVE GESTIÓN, S.A.
COMPANY DIEZ MIGUEL ANGEL
DE LA FUENTE ARTEAGA JORGE
DIAZ-BUSTAMANTE ZULUETA, JUAN
DRACMA FINANZAS, S.L.
ECHEVARRÍA BARBERENA, MERCEDES
GALLEGO HEREDERO, PEDRO
GALLO LÓPEZ FELIX ALFONSO
INFORMADSA FINANCIEROS, S.L.
LOPEZ LOPEZ, ANTONIO CEFERINO
LOPEZ MIGUEZ, ANTONIO
MÁRQUEZ POMBO JOSE IGNACIO
MEINDIST, S.L.
MENDEZ GONZALEZ RAQUEL
MISUIN GESTIÓN, S.L.
MORENO PEREZ VICTOR
MUÑOZ CÓRDOBA, CARLOS
NUEVA PRIDERA S.L.
PASCUAL BALLESTEROS, JULIO MANUEL
PRIMO DE RIVERA ORIOL FERNANDO
RENPROA S.L.
RENTA 4 GUIPÚZCOA S.A.
RIVERA CASTILLEJO, MIGUEL
SAINZ SUELVE, ANTONIO
SANFELIU CARRASCO, MARIA DEL MAR
SOFABOYCO, S.L.
SOLO 747, S.L.
YIDOSA, S.A.

This appendix is an integral part of note 19 to the accompanying consolidated financial statements and should be read in conjunction therewith

RENTA 4 BANCO, S.A.
AND SUBSIDIARIES

List of Agents

ACCURATE ADVISORS, S.L.
AES GESTIÓ DE PATRIMONIS, S.L.
AGUIRRE BASSET ALFONSO
ALBAJAR GIMENEZ, MANUEL
ALGAR FINANCIAL PRODUCTS, S.L.
ARBITRAGE FINANZAS, S.L.
ARCOS BARAZAL, S.A.
BABALITA, S.A.
BAUCISA SISTEMAS, S.L.
CASTAÑE ECHEVARRÍA, JOSE MARIA
CASTAÑE Y ASOCIADOS INVEST, S.L.
COFINAVE GESTIÓN, S.A.
COMPANY DIEZ MIGUEL ANGEL
DE LA FUENTE ARTEAGA JORGE
DRACMA FINANZAS, S.L.
ECHEVARRÍA BARBERENA, MERCEDES
FORET USSÍA, JOSE LUIS
GALLEGO HEREDERO, PEDRO
GALLO LÓPEZ FELIX ALFONSO
INFORMADSA FINANCIEROS, S.L.
LOPEZ LOPEZ, ANTONIO CEFERINO
LOPEZ MIGUEZ, ANTONIO
MEINDIST, S.L.
MENDEZ GONZALEZ RAQUEL
MISUIN GESTIÓN, S.L.
MORENO PEREZ VICTOR
MUÑOZ CÓRDOBA, CARLOS
NUEVA PRIDERA S.L.
PASCUAL BALLESTEROS, JULIO MANUEL
PRIMO DE RIVERA ORIOL FERNANDO
RENPROA S.L.
RENTA 4 GUIPÚZCOA S.A.
RIVERA CASTILLEJO, MIGUEL
SAINZ SUELVE, ANTONIO
SANFELIU CARRASCO, MARIA DEL MAR
SOFABOYCO, S.L.
SOLO 747, S.L.
YIDOSA, S.A.
MÁRQUEZ POMBO JOSE IGNACIO
DIAZ-BUSTAMANTE ZULUETA, JUAN
SISTEMAS URBANOS SOCIMI, S.A.

This appendix is an integral part of note 19 of the notes to the accompanying consolidated financial statements and should be read in conjunction therewith.

Renta 4 Banco, S.A.**Balance sheet at December 31**

ASSETS	Thousands of euros	
	2014	2013(*)
Cash and balances with central banks	3,558	1,553
Financial assets held for trading	714	664
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt securities	97	211
Equity instruments	167	-
Trading derivatives	450	453
<i>Memorandum item: Loaned or advanced as collateral</i>	-	-
Other financial assets at fair value through profit or loss	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt securities	-	-
Equity instruments	-	-
<i>Memorandum item: Loaned or advanced as collateral</i>	-	-
Available-for-sale financial assets	618,425	390,902
Debt securities	593,879	369,072
Equity instruments	24,546	21,830
<i>Memorandum item: Loaned or advanced as collateral</i>	433,179	354,015
Loans and receivables	776,028	421,785
Loans and advances to credit institutions	724,751	367,881
Loans and advances to customers	51,277	53,904
Debt securities	-	-
<i>Memorandum item: Loaned or advanced as collateral</i>	-	-
Held-to-maturity investments	-	-
<i>Memorandum item: Loaned or advanced as collateral</i>	-	-
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	-	-
Non-current assets held for sale	-	-
Investments	35,520	29,196
Associates	5,469	2,277
Jointly controlled entities	-	-
Group companies	30,051	26,919
Insurance contracts linked to pensions	-	-
Property and equipment	31,119	28,209
Property and equipment	30,795	28,209
For own use	30,795	28,209
Leased out on operating lease	-	-
Assigned to welfare projects	-	-
Investment properties	324	-
<i>Memorandum item: Acquired under finance leases</i>	14,421	14,740
Intangible assets	7,989	7,654
Goodwill	6,352	6,352
Other intangible assets	1,637	1,302
Tax assets	1,829	1,959
Current	47	61
Deferred	1,782	1,898
Other assets	641	609
TOTAL ASSETS	1,475,823	882,531

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco, S.A.**Balance sheet at December 31**

	Thousands of euros	
	2014	2013(*)
LIABILITIES		
Financial liabilities held for trading	360	368
Due to credit institutions	-	-
Customer deposits	-	-
Debt certificates including bonds	-	-
Trading derivatives	360	368
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Due to credit institutions	-	-
Customer deposits	-	-
Debt certificates including bonds	-	-
Financial liabilities at fair value through profit or loss	-	-
Due to credit institutions	-	-
Customer deposits	-	-
Debt certificates including bonds	-	-
Financial liabilities at amortized cost	1,410,828	820,900
Due to central banks	306,974	235,912
Due to credit institutions	4,265	7,943
Customer deposits	1,042,949	513,107
Debt certificates including bonds	-	12,222
Subordinated liabilities	-	-
Other financial liabilities	56,640	51,716
Changes in fair value of financial liabilities in portfolio hedges of interest rate risk	-	-
Hedging derivatives	-	-
Liabilities associated with non-current assets held for sale	-	-
Provisions	-	47
Provisions for pensions and similar obligations	-	-
Provisions for tax and other legal contingencies	-	-
Provisions for contingent exposures and commitments	-	47
Other provisions	-	-
Tax liabilities	2,957	2,869
Current	1,731	1,764
Deferred	1,226	1,105
Welfare fund	-	-
Other liabilities	1,443	2,086
Capital having the substance of a financial liability	-	-
TOTAL LIABILITIES	1,415,588	826,270

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco, S.A.**Balance sheet at December 31**

	Thousands of euros	
	2014	2013(*)
<u>EQUITY</u>		
Valuation adjustments	60,177	56,985
Available-for-sale financial assets	18,312	18,312
Financial liabilities at fair value through profit or loss	18,312	18,312
Cash flow hedges	-	-
Hedges of net investments in foreign operations	8,496	8,496
Exchange differences	28,342	26,133
Non-current assets held for sale	-	-
Own funds		
Capital or endowment fund	111	996
Issued capital	-	885
Less: Uncalled capital	111	111
Share premium	(577)	(486)
Reserves	-	-
Retained earnings	-	-
Other	-	-
Other equity instruments	-	-
Equity component of compound financial instruments	8,051	5,475
Other equity instruments	(2,558)	(1,941)
Less: Treasury shares	-	-
Non-voting equity units and associated funds (savings banks)	58	(724)
Non-voting equity units	58	(724)
Reserves of holders of non-voting equity units	-	-
Stabilization fund	-	-
Profit for the year	-	-
Less: Dividends and remuneration	-	-
	-	-
TOTAL EQUITY	60,235	56,261
TOTAL EQUITY AND LIABILITIES	1,475,823	882,531
MEMORANDUM ITEMS		
Contingent exposures	13	2,500
Contingent commitments	565	1,087
	578	3,587

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco, S. A.**Income statement for the years ended December 31**

	Thousands of euros	
	2014	2013(*)
Interest and similar income	7,525	9,230
Interest and similar expense	(1,471)	(3,138)
Interest on capital repayable on demand		-
NET INTEREST INCOME	6,054	6,092
Returns on equity instruments	751	289
Fee and commission income	56,447	49,217
Fee and commission expenses	(24,216)	(24,261)
Gains / (losses) on financial assets and liabilities (net)	7,821	5,388
Financial assets and liabilities held for trading	6,967	4,099
Other financial instruments measured at fair value through profit or loss	-	-
Other financial instruments not measured at fair value through profit or loss	854	1,289
Other	-	-
Exchange differences (net)	(128)	(119)
Other operating income	540	483
Other operating expense	(1,157)	(1,948)
GROSS MARGIN	46,112	35,141
Personnel expenses	(17,440)	(14,381)
Other administrative expenses	(12,617)	(10,946)
Depreciation and amortization	(3,451)	(2,776)
Property and equipment	(2,449)	(2,097)
Intangible assets	(1,002)	(679)
Provision expense (net)	47	145
Impairment losses (net) on financial assets	(1,172)	33
Loans and receivables	(465)	(15)
Other financial instruments not measured at fair value through profit or loss	(707)	48
OPERATING PROFIT	11,479	7,216
Impairment losses (net) on other assets	(216)	(448)
Goodwill and other intangible assets	-	-
Other assets	(216)	(448)
Gains / (Losses) on disposal of assets not classified as non-current assets held for sale	(1)	-
Negative difference on business combinations	-	-
Gains / (Losses) on non-current assets held for sale not classified as discontinued operations	-	-
PROFIT (LOSS) BEFORE TAX	11,262	6,768
Income tax	(3,211)	(1,293)
Mandatory transfer to welfare funds		
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	8,051	5,475
Profit (loss) from discontinued operations (net)	-	-
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	8,051	5,475
Basic earnings per share	0.20	0.15
Diluted earnings per share	0.20	0.15

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco, S.A.**Statement of changes in equity for the year ended December 31,**

	Thousands of euros	
	2014	2013(*)
PROFIT FOR THE YEAR	8,051	5,475
OTHER RECOGNIZED INCOME AND EXPENSE	782	350
Available-for-sale financial assets	1,117	500
Valuation gains (losses)	1.264	1,837
Amounts transferred to income statement	(147)	(1,337)
Other reclassifications	-	-
Cash flow hedges	-	-
Valuation gains (losses)	-	-
Amounts transferred to income statement	-	-
Amounts transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedges of net investments in foreign operations	-	-
Valuation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences	-	-
Valuation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Valuation gains (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Actuarial gains / (losses) on pension plans	-	-
Investments accounted for using the equity method	-	-
Valuation gains (losses)	-	-
Other recognized income and expense	-	-
Income tax	(335)	(150)
	<hr/>	<hr/>
TOTAL RECOGNIZED INCOME AND EXPENSE	8,833	5,825

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

Renta 4 Banco, S.A.
Statement of cash flows for the year ended December 31,

	Thousands of euros	
	2014	2013(*)
OPERATING ACTIVITIES	147,744	(27,529)
Profit for the year	8,051	5,475
Adjustments to obtain cash flows from operating activities	3,545	1,612
Depreciation and amortization	3,451	2,776
Other adjustments	94	(1,164)
Net increase / decrease in operating assets	(395,465)	(222,412)
Financial assets held-for-trading	(50)	(54)
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	(221,926)	(147,400)
Loans and advances	(173,587)	(74,805)
Other operating assets	98	(153)
Net increase / decrease in operating liabilities	536,573	191,313
Financial liabilities held-for-trading	(8)	(237)
Other financial liabilities at fair value through profit and loss	-	-
Financial liabilities at amortized cost	535,722	187,755
Available-for-sale financial assets	859	3,795
Other operating liabilities	(4,960)	(3,517)
Income tax receipts (payments)	(12,486)	(7,613)
INVESTING ACTIVITIES	(14,156)	(7,905)
Payments	(5,359)	(3,113)
Property and equipment	(1,337)	(790)
Intangible assets	(7,460)	(4,002)
Investments	-	-
Other business units	-	-
Non-current assets held for sale and associated liabilities	-	-
Held-to-maturity investments	-	-
Other payments related to investing activities	1,670	292
Collections	-	3
Property and equipment	-	-
Intangible assets	919	-
Investments	-	-
Other business units	-	-
Non-current assets held for sale and associated liabilities	-	-
Held-to-maturity investments	751	289
Other collections related to investing activities	-	-
	47,876	85,991
FINANCING ACTIVITIES	(1,074,513)	(337,895)
Payments	(3,412)	(1,941)
Dividends	-	-
Subordinated liabilities	-	-
Redemption of own equity instruments	(8,434)	-
Acquisition of own equity instruments	(6,216)	(1,970)
Other payments related to financing activities	(1,056,451)	(333,984)
Collections	1,122,389	423,886
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	1,089	8,886
Other collections related to financing activities	1,121,300	415,000
EFFECT OF EXCHANGE RATE CHANGES	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	183,134	50,849
Cash and cash equivalents at beginning of period	91,495	40,646
Cash and cash equivalents at end of period	274,629	91,495
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	274,629	91,495
Cash	72	25
Cash equivalents at central banks	3,486	1,528
Other financial assets	271,071	89,942
Less: Overdrafts repayable on demand	-	-

(*) It is presented solely for comparison purposes. Data restated as indicated in Note 2.2

APPENDIX V: Renta 4 Group Customer Service Report 2014

Purpose of the Report

As has been the case since 2004, the purpose of this report is to evidence the customer service work performed by Renta 4 Banco, S.A. and the Renta 4 Group entities subject to the customer defense rules in the course of 2014, in keeping with article 20 of the Renta 4 Group's Customer Defense Rules and, by extension, the stipulations laid down in Ministerial Order ECO 734/2004, of March 11, 2004, on Customer Attention Centers and Services and Customer Defense at Financial Institutions, published in Spain's Official Journal (BOE No. 72) on March 24, 2004.

As stipulated in article 6 of these Group rules, the Customer Service Center is responsible for catering to and resolving the complaints and claims presented before the entities bound thereby, directly or via representatives, by the Spanish or foreign natural or legal persons that qualify as users of the financial services provided by the said entities, so long as such complaints and claims relate to their legally-protected interests and rights as a result of contracts, transparency and customer protection rules or good financial practice, particularly the principle of equanimity.

Claims outcomes

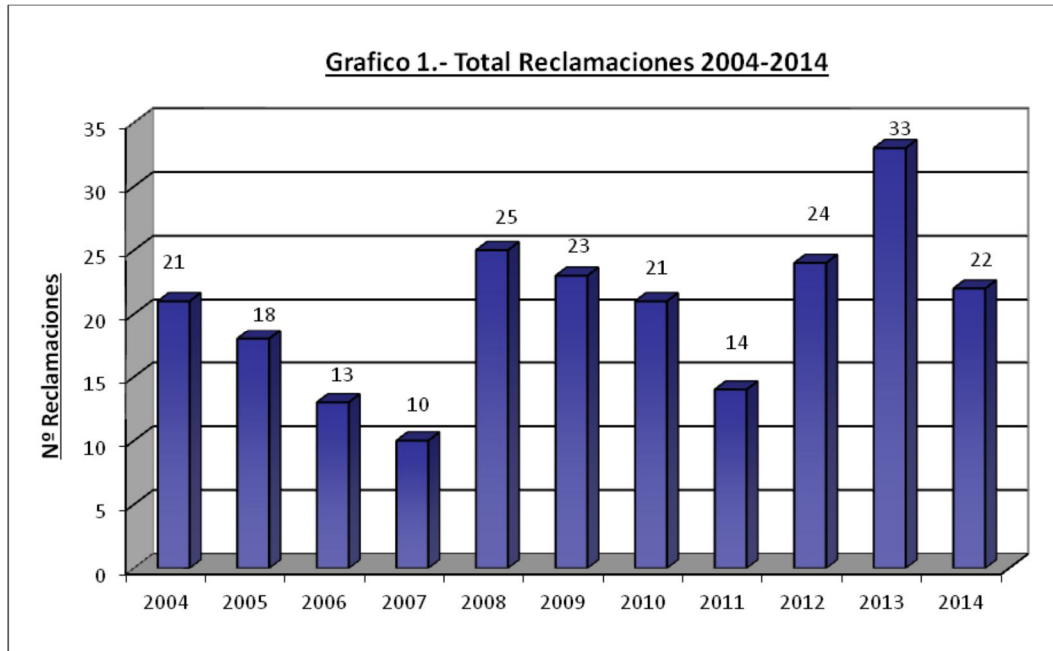
In the course of 2014, Renta 4's Customer Service Center handled a total of 22 customer claims, admitting twenty and rejecting two of them.

The reasons given by the Customer Service Center for not admitting two of the claims for further processing were as follows: In the first instance, the client expressed disagreement with an mutual fund related transaction; however over 13 years had elapsed since the disposal date and, as established in paragraph d) of item 3, article 13 of the Service Rules, the Customer Service Center rejected the case as more than two years had elapsed since the events at the heart of the complaint had occurred. In the second case, the matter being claimed by the client was already being processed by a court and, as stipulated in paragraph b) of item 3, article 13 of the Service Rules, the Customer Service Center is obliged to refrain from processing any complaint subject to legal proceedings, which is what it did.

In the case of the claims declared admissible, the Customer Service Center analyzed each of the issues raised in detail before ultimately issuing a ruling or report or urging the parties to reach a settlement in respect of the controversy at hand.

On the other hand, this same Center received only one enquiry in 2014, it did not receive any enquiries in 2013, having received and dealt with three enquiries in 2012, sending the requesting parties the documentation and information they asked for.

As is shown in the following chart, the number of claims presented before the Customer Service Center declined between 2004 and 2007 (from 21 to 10).



In 2008 the number of claims declared admissible increased to 25, trailing lower once again in subsequent years to 14 in 2011. In 2012, 2013 and 2014 the number of claims presented spiked once again to 24, 33 and 22 respectively.

However, despite the growth in the number of claims presented have decreased in 2014 (eleven less than in 2013), if the number of claims presented is considered in relation to the overall client base with assets at Renta 4 at year-end 2014 - a total of 62,764 -, the number of claims is not significant, as was the case in prior years.

Similarly, in comparing the number of claims presented in 2014 – 22 in total - with the volume of assets under management at Renta 4 at December 31, 2014, including the third-party network (over €10 billion), the claims incident rate also pales in significance.

Claims classified by type of ruling

Analyzing the claims by type of ruling issued by the Customer Service Center in 2014, as shown graphically in Table 1, of all the claims declared admissible – 22 – the Center handed down 12 unfavorable decisions for the claimants (55% of all claims received and resolved), 2 claims were accepted (9%), while urging the parties to reach a settlement in six cases (27% of the total), and finally 2 of them were rejected.

TABLE 1

Trend in claims brought before the Customer Service Center – Classification by claim outcome

Clasificación por Tipo de Resolución	2014		2013		2012		2011		2010		2009		2008	
	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%
Desfavorable para el cliente	12	55%	24	73%	20	83%	13	93%	14	67%	18	78%	21	84%
Favorable para el cliente	2	9%	0	0%		0%	1	7%	4	19%	0	0%	3	12%
Propuesta de Avenimiento del SAC	6	27%	7	21%	4	17%		0%	3	14%	5	22%	1	4%
Desestimiento Cliente		0%	2	6%				0%	0	0%		0%		0%
No admitido a tramite	2	9%												
TOTAL	22	100%	33	100%	24	100%	14	100%	21	100%	23	100%	25	100%

In connection with the claims for which the Customer Service Center urged the parties to reach an agreement, in 2014 Renta 4 paid customers 873.54 euros, compared to settlements of 1,360.79 euros in 2013, 604.97 euros in 2012 and 747.72 euros in 2010. However, the cost in 2014 was less than that of earlier years: in 2009 settlements cost the Group 60,815.02 euros, in 2008, 37,592.80 euros.

In addition, the Customer Service Center estimates that customers presented claims for a total of approximately 145,000 euros in 2014, a figure that is broadly in line with the sum claimed in previous years. However, the amounts claimed in 2014 are lower than those presented in 2010 (50,000 euros) or 2009 (200,000 euros).

Claims classified by issue

The claims ruled on by the Customer Service Center are categorized by issue in Table 2 and Chart 2:

TABLE 2**Trend in claims brought before the Customer Service Center – Classification by claim issue**

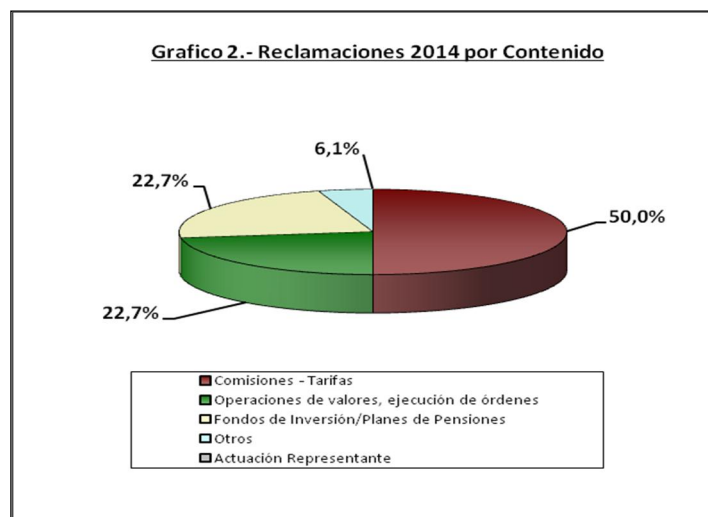
Classification by issue	2014		2013		2012		2011		2010		2009		2008	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Fees and commissions/ prices	11	50.0%	18	54.5%	7	29.2%	2	14.3%	7	33.3%	5	22.0%	2	8.0%
Securities transactions, order execution	5	22.7%	13	39.4%	16	66.7%	11	78.6%	10	47.6%	10	44.0%	6	24.0%
Mutual funds / pension funds	1	22.7%	0	0.0%	0	0.0%	1	7.1%	2	9.5%	4	17.0%	9	36.0%
Other	5	4.5%	2	6.1%	1	4.2%	0	0.0%	2	9.5%	3	13.0%	8	32.0%
Conduct of representative		0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	4.0%	0	0.0%
TOTAL	22	100%	33	100%	24	100%	14	100%	21	100%	23	100%	25	100%

The analysis of the claims presented by issue highlights that the claims classified under *Fees and commissions/prices* accounted for the highest number and percentage of claims presented in 2014: 11 claims, equivalent to 50.0% of the total presented. This heading reflects claims regarding the fees, commissions and charges charged to customer accounts for delivery of the various financial services performed.

In prior years, this category accounted for the second-highest number of claims (eighteen in 2014, seven in 2012, two in 2011 and seven in 2010).

One of the reasons for the spike in price-related claims in 2014 is thought to be the price modifications introduced in 2012 and 2013.

In 2014, five claims were classified under *Securities transactions and order execution*, representing 27.5% of the total. Claims regarding all manner of discrepancies regarding customer order processing and execution are classified within this heading. In prior years this category had been one of the areas receiving most claims, specifically 11 in 2013, making it the second most controversial category that year in which it accounted for almost 40% of total claims, 16 in 2012 (66.7% of the total) and 11 in 2011 (79%). In short, it is one of the most sensitive categories in terms of the number of claims received.



Elsewhere, *Mutual funds/pension funds* reflects claims relating to the subscription, redemption, transfer and sale and marketing of mutual funds and pension plans, including matters related to their management and investment policies. A total of five claims were classified into this category in 2014 (27.5% of the total), whereas this category did not receive any claims in either 2013 or 2012.

Lastly, claims that do not readily fit into any of the other categories are bucketed into *Other*. One such claim was received in 2014, compared to two in 2013 and one in 2012.

Breakdown of claims by Group company

In 2014 and 2013, all of the claims processed (22) were presented by customers of Renta 4 Banco, S.A.

CONCLUSIONS

In short, the Customer Service Center considers that the number of claims presented in 2014, 22 in total, is not significant compared with the size of the Entity's overall customer base, the volume of assets managed by Renta 4, or the overall damages claimed.

The number of claims brought before the Customer Service Center annually between 2004 and 2014 has not been high in absolute terms; the figure has been stable throughout the last decade and there is no evidence of an upward trend in claims volumes.

As it has been doing consistently since creation, the Customer Service Center continued to compile all the information deemed appropriate from the various departments in respect of each and every claim presented with a view to understanding every aspect of the disputes arising and being sufficiently well-informed when presenting its findings (report, ruling or call for settlement). Moreover, the Center has contacted the heads of the various departments and/or offices, informing them of the complaints and claims presented.

In this manner, in addition to carrying out the duties vested in it, the Customer Service Center aims to provide a channel of communication between the various Renta 4 Group entities and their customers with a view to enhancing processes and practices and providing a higher standard of quality to all customers.

APPENDIX VI: Annual Banking Report

2014

Law 10/2014, of June 26, 2014, on the structuring, supervision and capital adequacy of credit institutions, was published in Spain's official state journal on June 27, 2014. This piece of legislation transposes article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In keeping with the provisions of article 87.1 and transitory provision twelve of Law 10/2014, credit institutions are obliged to publish the following information on a consolidated basis and in respect of the last financial year, broken down by country in which it has establishments:

- a) The name(s), nature of activities and geographical location;
- b) Turnover and number of employees on a full time equivalent basis;
- c) Profit or loss before tax and tax on profit or loss;
- d) Public subsidies received.

The above disclosure requirements are met below:

a) **The name(s), nature of activities and geographical location**

Renta 4 Banco, S.A. is the entity resulting from the merger by absorption, closed on March 30, 2011, of Renta 4 Servicios de Inversión S.A. (transferee company) and Renta 4 Banco, S.A. (transferor company), the latter formerly called Banco Alicantino de Comercio, S.A. (the change of registered name having been filed with the Companies Register on June 8, 2011). Additionally, in connection with the merger, a number of changes were made to the bylaws of the transferee company, which changed its registered business name from Renta 4 Servicios de Inversión, S.A. to Renta 4 Banco, S.A. and expanded the corporate purpose of Renta 4 Servicios de Inversión S.A. to include banking activities and the delivery of the investment and auxiliary services that are typical of investment service providers. The Bank is registered with the Companies Register and in the Bank of Spain's so-called Special Register of Credit Institutions under code number 0083.

The Bank's corporate purpose consists of the activities typical of credit institutions in general, including the provision of investment services, the acquisition, holding, exploitation, administration and disposal of all manner of transferable securities, including specifically those itemized in article 175 of Spain's Code of Commerce and other prevailing legislation governing entities of this nature.

The activities comprising the corporate purpose may also be performed in whole or in part on an indirect basis through the ownership of shares or equity investments in other companies with an identical or similar core business. In addition to the operations performed by it directly, the Bank is the parent of a group of subsidiaries that pursue a series of different activities and comprise, along with it, the Renta 4 Group. As a result, the parent company is obliged to prepare, in addition to its separate annual financial statements, consolidated annual financial statements for its Group. The parent company's registered office is located in Madrid, at Paseo de la Habana, 74.

The Group conducts its business activities predominantly in Spain. The names, nature of activities and geographical location of its subsidiaries are provided in Appendix I of this annual report.

b) Turnover and number of employees on a full time equivalent basis

This section presents turnover and the number of full-time equivalents country-by-country at year-end 2014 and 2013 on a consolidated basis.

Turnover has been deemed equivalent to fee and commission income, as reported in the Group's consolidated income statement for the years ended December 31, 2014 and 2013:

	(Thousands of euros)			
	Turnover		No. of employees (FTE)	
	Year-end 2014	Year-end 2013	Year-end 2014	Year-end 2013
Spain	103,761	81,384	375	337
Chile	1,163	1,316	20	15
Colombia	-	-	2	1
Peru	47	-	8	2
TOTAL	104,971	82,700	405	355

c) Profit or loss before tax and tax on profit or loss

This heading presents consolidated profit or loss before tax and tax on consolidated profit or loss, as per the 2014 and 2013 consolidated income statement, country-by-country:

	(Thousands of euros)			
	Profit or loss before tax		Tax on profit or loss	
	2014	2013	2014	2013
Spain	19,903	13,888	(5,932)	(3,326)
Chile	(26)	158	47	15
Colombia	(98)	-	-	-
Peru	(269)	(28)	78	8
TOTAL	19,510	14,018	(5,807)	(3,303)

d) Public subsidies received

The Group did not receive any public subsidies in either 2014 or 2013.

e) Public disclosure of return on assets

The return on assets, calculated as net profit divided by the total balance sheet, was 1% in 2014 (2013: 1%).

Management Report 2014 – Renta 4 Banco, S.A. and subsidiaries

1. Economic environment and financial markets

In recent months the European Central Bank's top concerns have been low growth in the eurozone and subdued inflation. Against this backdrop, Draghi cut rates to an all-time low of 0.05%. The ECB had cut its growth forecasts for the coming years and was forced to take expansionary measures to reactivate the flagging economy. These measures had the effect of devaluating the euro relative to other currencies and fattening up the ECB's balance sheet as it bought back assets in an attempt to fuel a recovery in inflation rates.

The European monetary authority held its first TLTRO auction with the aim of injecting liquidity into the eurozone's banks and, by extension, the real economies of each country, on 18 September 2014. The Spanish banks applied to the ECB for 14 billion euros (38% of the sum available of 38 billion euros).

The ECB's estimates call for GDP growth across the eurozone of 1.3% and 1.7% in 2015 and 2016, respectively. Its forecasts for consumer price inflation are for positive rates of 1.10% and 1.4% in 2015 and 2016. In 2014 the main confidence indicators were penalized by geopolitical tensions, most notably the conflict between Russia and Ukraine.

In general, all the European equity markets corrected during the third quarter of the year. The IBEX 35 corrected by 0.9% that quarter, Italy's FTSE MIB by 1.84%, Germany's DAX dropped by 3.65%, France's CAC by 0.15%, Portugal's PSI20 by 15.61%, the Eurostoxx 50 by 0.07% and the UK's FTSE100 by 1.8%.

Fixed income securities received a boost, however, from monetary policy. The correction in official sovereign rates drove fixed income yields higher as prices fell. The price of the 10-year German bond ended the third quarter higher, at 149.70, compared to 147.01 at the second-quarter close. The 10-year Spanish bond ended the second quarter offering a yield of 2.661%, which narrowed to 2.14% by the next quarter's close. The Spanish risk premium narrowed from 141.54 bp to around 119.31 bp in the third quarter.

In the currency markets, the dollar fell to \$1.26 against the euro in the third quarter.

The Federal Reserve is expected to keep rates low. The Federal Reserve cut its growth forecasts for the US economy in 2015 albeit improving its projected unemployment rate; current forecasts point to growth of 2.8% in 2015 and 2.75% in 2016.

In contrast to Europe, US equities performed well. The S&P500 gained 0.62%, the Nasdaq, 1.93% and the Dow Jones, 1.29% in the third quarter. As for fixed income, the 10-year Treasury bond yield narrowed from 2.53% to 2.48% during the quarter.

Emerging markets performed well during the third quarter. The Chinese economy consolidated the rebound that was becoming palpable in the market. The economic indicators coming out of China reveal greater momentum in growth, approaching the authorities' target (GDP growth of close to 7.5% in 2014). Meanwhile, the Chinese economy did not show signs of inflationary pressure with CPI running at an annual rate of 3.5%. In Japan, the economy registered GDP growth of 1% in 2014, despite the increase in consumer tax. The forecasts for 2015 and 2016 are for growth in Japanese GDP of 1.5% and 1.3%, respectively. Japanese consumer price inflation was around 3.3% in 2014 and is forecast at 2.6% in 2015. Notably, the Nikkei rallied 6.67%. China's economic performance drove a rebound that is being felt in nearly all markets; against this backdrop, the Shanghai index notched up a gain of 15.4%.

As for the trend in Latin America, Brazilian growth fell short of expectations, coming in at around 0.7% in 2014. Brazilian CPI was 6.3% in 2014 and is expected to fall back slightly to 5.8% in 2015. In Latam's other economic giant, Mexico, growth accelerated to 2.4% in 2014 and is expected to escalate further to 3.7% in 2015. In this context the main Latin American indices rallied: Brazil's Bovespa gained 1.78%, Chile's IPSA Select rose by 1.75% and Mexico's IPC jumped 5.26%.

On the commodities front, the widespread negative trend continued throughout the third quarter. Gold prices corrected by 8.98% in the quarter, while silver prices dropped by 19.29%. Iron ore prices, meanwhile, fell 16.37% in the quarter and oil prices corrected by 13.49%. As for farm commodities, wheat prices corrected by a noteworthy 20.14%.

2. Sector performance

The most noteworthy milestone in the European banking system last year was the progress made towards banking union in the eurozone. The ECB has assumed the duty of supervising all eurozone entities and directly supervising the 120 most important institutions (which represent 82% of total system assets). Before taking on these powers, the health of the banks' assets and liabilities was exhaustively tested.

These tests encompassed two essential elements: (i) an asset quality review (AQR); and (ii) a simulation of the impact of different macroeconomic scenarios on the banks' solvency (stress tests). Of the 123 banks analyzed, just 13 presented a capital shortfall when the test results were announced in a total amount of 9.48 billion euros. 2014 marked a turning point for Europe's banks thanks to the stress tests and the preparatory work put in by the banks, whose solvency was reinforced as a result. This translated into a clear-cut improvement in confidence in the European financial system as the year unfolded. In parallel, economic weakness continued to weigh on business volumes, while ultra-low interest rates continued to exert pressure on earnings. Nevertheless the firming in lending activity and downtrend in borrowing costs evidenced throughout the year is expected to prop up a gradual improvement in margins in 2015.

The other area of intense regulatory intervention is the review of the frameworks governing capital requirements in respect of exposure to credit, market and operational risk being performed by the Basel Committee. This exercise is slated for completion in 2015 and will determine whether the role of risk-sensitive capital requirements in the prudential framework will remain as prominent or whether greater weight will be given to exposure-independent measures such as the leverage ratio. In tandem, the European Banking Authority (EBA) has continued to issue standards and guidance designed to guarantee uniform implementation of the new minimum capital requirements across the European Union. All of these efforts will be crucial to reducing differences in capital requirements that are not justified by the entities' risk profiles and to ensuring a level and comparable playing field.

In Europe the year was marked by progress towards Banking Union. The ECB assumed its eurozone supervisory responsibilities on November 4, 2014. The authorities also approved the regulations implementing the Single Resolution Mechanism and the Single Resolution Fund. In January 2014 the European Commission published its proposed regulations for structural reform which imply the prohibition of proprietary trading and the scope for requiring the separation of market making activities in certain instances. The European Parliament and Council are expected to continue to make progress on these negotiations in the course of 2015. The UK, France, Germany and Belgium have also passed banking separation laws (primarily addressing the separation and/or prohibition of proprietary trading) that will take effect in 2015. On the investor protection front, it is worth highlighting the publication of MiFID II, due to take effect in January 2017.

3. Performance of Renta 4 Banco S.A. and its subsidiaries

Renta 4 generated a net profit of 13.7 million euros in 2014, year-on-year growth of 28%.

Profit before tax rose by 39.2%, from 14.0 million euros in 2013 to 19.5 million euros in 2014.

All the Group's key financial and operating indicators registered growth in 2014:

Customer assets under management and administration exceeded 13.5 billion euros for the first time in Renta 4's history, marking growth of 29.7%.

It is worth highlighting the trend in the net customer asset intake in 2014, which at 2.03 billion euros registered year-on-year growth of 42.8%.

"Fee and commission income", which rose 26.9% to 104.9 million euros, performed particularly well. "Fee and commission income" (fee and commission income, the Group's share of profit of associates and other operating income) rose by 26.4% to 104.5 million euros (2013: 82.7 million euros). "Net fee and commission income" (fee and commission income, the Group's share of profit of associates and other operating income less fee and commission expense), meanwhile, rose by 23.5% to 50.2 million euros (2013: 40.7 million euros).

All the sub-headings comprising the commissions heading registered growth, with particularly noteworthy growth in fees from asset management, which jumped 42.2% from 27.9 million euros in 2013 to 39.7 million euros last year. The "Brokerage" business line recorded fee and commission income of 55.1 million euros compared to 46.2 million euros in 2013 (+19.3%). The "Corporate services" area generated fee and commission income of 9.7 million euros, year-on-year growth of 12.8% (2013: 8.6 million euros).

"Net interest income", meanwhile, totaled 6.0 million euros, down a slight 0.6% year-on-year due to low interest rates throughout 2014.

Trading income, or "Gains / (losses) on financial assets and liabilities (net)", amounted to 8.2 million euros, up 27.4% from 6.5 million euros in 2013.

"Administrative expenses" totaled 40.3 million euros, year-on-year growth of 16.5% (from 34.6 million euros). This growth is primarily attributable to sharp growth in business volumes and new activities carried out in Latin America.

By sub-heading, "Personnel expenses" were 18.7% higher, at 24.1 million euros. "Other administrative expenses" climbed 13.4% higher to 16.2 million euros. Lastly, at 3.9 million euros, "Depreciation and amortization" was 20.7% higher than the 3.2 million euro charge recognized in 2013.

The new lines of business and sharp growth in business volumes drove growth in the Group's headcount: from 340 employees at year-end 2013 to 386 at year-end 2014 (+13.5%). The branch network's headcount increased by 27 from 185 at year-end 2013 to 212 at year-end 2014 (+14.6%).

4. Business outlook

The weight of financial assets in Spanish household and non-financial company wealth (investments and savings) is very small relative to that of neighboring countries, suggesting scope for a shift in savings out of bank products such as term deposits into other classes of investment assets.

The trend in brokerage volumes and assets under management is bound to be directly affected by broader financial market trends. The most recent forecasts and market consensus currently call for market gains, which would in all likelihood result in growth in trading volumes and assets under management, driving growth in the fees and commissions received on both counts.

With interest rates at close to zero or even in negative territory for safe-haven assets, and market volatility on the rise, 2015 looks likely to be a very demanding year, in which our assessment of risk will be crucial to generating an adequate return and protecting the capital of the Bank and our clients.

Renta 4 Banco boasts a very significant level of assets under management and capital adequacy ratios that are well above the sector average, these attributes providing the best foundations for continuing to generate a high return on capital and sustained earnings growth.

Over the course of 2014, Renta 4 Banco invested significant resources in enhancing its management capabilities and customer service range and in developing its presence in Chile, Peru and Colombia. We expect this investment to generate substantial returns in the years to come.

5. Risk management policy

Detailed disclosures regarding the Renta 4 Group's risk management policies are provided in note 5 of the 2014 consolidated financial statements

6. Acquisitions of own shares

The required disclosures regarding own shares are provided in note 18.d) of the 2014 financial statements.

7. Environmental impact

In light of the business activities pursued by the companies comprising the Renta 4 Group, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of their equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in the notes to the consolidated financial statements.

The Group companies did not have any greenhouse gas emission allowances in either 2014 or 2013.

8. Research and development

In 2014, as in prior years, the Group's R&D effort focused on developments related to transaction routing, with a particular emphasis on business with third-party entities, automated decision-making systems and UCIT portfolio management applications.

IT capabilities were significantly expanded thanks to the development of new applications centered on the supervisory and control aspects of the business.

The switch in main communication service provider from Telefónica to Vodafone was completed last year. Moreover, the change in voice infrastructure from conventional technology to IP voice technology was completed and the branch voice recording operations were centralized at the head offices.

9. Events after the reporting date

The events taking place subsequent to year-end are disclosed in note 24 of the 2014 consolidated financial statements.

10. Human capital disclosures

The required disclosures regarding the Renta 4 Group's employees are provided in notes 4.p) and 22.d) of the 2014 consolidated financial statements.

11. Information about the average period of payment to suppliers

The average payment period to suppliers during the year was 30 days (30 in 2013).

12. Explanatory report on general aspects contemplated in article 540 of Spain's corporate enterprises act in respect of 2014

In keeping with the provisions stipulated in article 540 of Royal Decree-Law 1/2010, of July 2, enacting the consolidated text of the Corporate Enterprises Act (the "**Corporate Enterprises Act**"), the Board of Directors of RENTA 4 BANCO, S.A. (hereinafter, the "**Company**"), hereby provides its shareholders with this explanatory report regarding the generation considerations itemized in the aforementioned article, the content of which is also included in the Management Reports accompanying the 2014 separate and consolidated financial statements of the Company and its Group by means of the corresponding Annual Corporate Governance Report.

At a meeting taking place on March 25, 2015, the Company's Board of Directors resolved to present this report at the Annual General Meeting

a) Capital structure, including securities which are not admitted to trading on a regulated EC market, where appropriate with an indication of the different classes of shares and, for each class of shares, the attaching rights and obligations and the percentage of total share capital represented

At December 31, 2014, the Company's share capital amounted to 18,311,941.35 euros and consisted of 40,693,203 shares with a nominal value of 0.45 euros each, fully subscribed and paid up. At December 31, 2014, the Company held 108,991 own shares, representing 0.2678% of its share capital. These shares are represented by book entries and carry identical voting and dividend rights. There are no shares that do not represent share capital.

The Company's shares are traded on the electronic trading platform of Spain's stock exchanges.

(1). The percentage of treasury shares presented in the Entity's annual financial statements is higher than that shown in the Annual Corporate Governance Report as the accounting disclosures report on the number of own shares held at December 31, 2014 (108,595 shares held directly and 396 held indirectly, representing 0.2678% of share capital), while the Annual Corporate Governance Report presents the shares bought back as per the notifications made to the Spanish securities market regulator, the CNMV.

b) Any restrictions on the transfer of securities.

There are no legal or bylaw restrictions on the transfer of the Company's shares.

c) Significant direct and indirect shareholdings

Chairman and CEO Juan Carlos Ureta Domingo directly owns 13,117,995 shares and indirectly 5,098,392 shares, giving him a total shareholding of 44.76%.

Mr. Ureta Domingo owns 5,098,392 shares, representing an indirect ownership interest in the Company of 12.52%, through the following entities and individuals:

- Surikomi, S.A., holder of 1,259,390 shares representing 3.09% of share capital.
- Recarsa, S.A., holder of 268,010 shares, representing 0.66% of share capital.
- Asecosa, S.A., holder of 2,053,376 shares, representing 5.05% of share capital.
- Matilde Estades Seco, holder of 989,294 shares, representing 2.43% of share capital.
- Juan Carlos Ureta Estades, holder of 5,652 shares, representing 0.01% of share capital.
- Matilde Ureta Estades, holder of 3,707 shares, representing 0.01% of share capital.
- Cartera de Directivos 2011 S.A., holder of 515,000 shares, representing 1.27% of share capital.
- Inés Asunción Seco Estades, holder of 2,363 shares, representing 0.01% of share capital
- Cartera de Directivos, holder of 1,600 shares, representing 0.00% of share capital.

d) Any restrictions on voting rights

In accordance with article 29.1 of the Company's Bylaws, each share entitles its holder to one voting right, with no exceptions to this right or limitation to the maximum number of votes a shareholder may cast in the general meeting.

e) Rules governing bylaw amendments.

Article 21 of the Bylaws refers to General Meeting quorums and resolution majorities, stipulating that any resolution to amend the Bylaws follow the legal regime dictated in article 288 of Spain's Corporate Enterprise Act, which refers to the quorum and majority requirements provided for in articles 194 and 201 in that same body of regulations.

f) The powers of board members, and in particular the power to issue or buy back shares.

Article 31 of the Company's Bylaws and article 6 of the Board Regulations empower the Board of Directors to approve resolutions regarding all manner of matters which are not reserved to the shareholders in general meeting by law or the Company's Bylaws, vesting it with the broadest powers to manage, administer and represent the Company, in or out of court, notwithstanding its duty to generally focus its activities on the supervision and control of the ordinary management of the Company, delegated in its executive directors and senior management, as well as the consideration of any matter of special significance to the Company.

Without prejudice to the above, these provisions establish that the Chairman of the Board will individually represent the Company.

In relation to the Board's power to authorize the issuance or buyback of shares of the Company, at the Annual General Meeting of April 29, 2013, the Company's shareholders empowered the Board of Directors, or any of its members in its place, to acquire, at any time, Company shares, in accordance with the provisions of article 146 of the consolidated text of the Spanish Corporate Enterprises Act, so long as the nominal value of the shares acquired, plus those already held by the Company and/or its subsidiaries, does not exceed 10% of share capital. This power has been granted for a term of five years, i.e., until April 29, 2018

The following is a transcription of the related shareholder resolution, as translated:

"The Board of Directors is authorized, with express power to delegate this power – even if by so doing the latter may be engaging in self-dealing or become party to a conflict of interest – pursuant to the terms of article 146 et seq. of the consolidated text of the Spanish Corporate Enterprises Act and other applicable legislation, to undertake the derivative acquisition of own shares of the Company, directly or indirectly through the Renta 4 Group entities, to the extent deemed appropriate in keeping with prevailing circumstances.

The minimum acquisition price or consideration shall be the equivalent of the nominal value of the own shares acquired, and the maximum acquisition price or consideration shall be the equivalent of the trading price of the own shares acquired on the official secondary exchange at the time of acquisition. At no time may the nominal value of the shares acquired, directly or indirectly, plus those already held by the Company and/or its subsidiaries, exceed 10% of paid-in share capital or other prevailing legal limit. The forms of acquisition may include the purchase-sale, swap, donation, adjudication by order of court through or in lieu of payment, or other form of business transaction for valuable consideration, as warranted by prevailing circumstances.

This authorization is granted for a term of five years.

It is hereby noted that some or all of the shares acquired under this authorization may be used for delivery or sale to directors or employees of the Company and/or its Group companies, either directly or as a result of exercise by the latter of options, all of which under the scope of the Company's duly-approved share-based remuneration schemes.

In addition, in relation to the issuance of bonds convertible and/or exchangeable into shares of Rentia 4 Banco, S.A. carried out under the scope of resolution six ratified at the Company's Annual General Meeting of April 2010 and the resolution taken by the Board of Directors of the Company in February 2011, as covered by the corresponding securities note filed in the CNMV's official registers, the Board of Directors, or any of its members in its place, is expressly authorized to acquire own shares of the Company, up to the legally permitted limit, in order to attend to, as contemplated in the bond securities note, bondholder requests to convert their bonds into shares during the scheduled conversion periods, including the New Voluntary Conversion Date ratified under resolution 4 of the agenda for the Annual General Meeting of April 12, 2012, and on any other conversion date that may be set in the future, by means of the delivery of own shares.

For all of the above, the Board of Directors, or, expressly, any of its members in its place as the Board deems fit, including the Board Secretary and Vice-Secretary, is vested with the broadest powers needed to apply for as many authorizations and adopt as many resolutions as are required or warranted, in keeping with prevailing legislation, to duly execute this resolution".

- g) **Agreements entered into by the company which take effect, are amended or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their disclosure could be seriously prejudicial to the company. This exception shall not apply where the company is legally obliged to disclose such information.**

The company has not entered into any manner of agreement or contract which takes effect, is amended or terminates upon change of control of the Company as a result of a takeover bid.

- h) **Any agreements between the company and its directors, officers or employees that provide for severance payments if they resign, are unfairly dismissed or if their employment contracts terminate as a result of a takeover bid.**

The Company's directors are not contractually entitled to receive any termination benefits whatsoever if they retire or are removed from office.

Nor are the members of the senior management team entitled to any termination benefits whatsoever if they resign, are unfairly dismissed or if their employment contracts terminate as a result of a takeover bid beyond those stipulated in prevailing law.

APPROVAL OF THE 2014 CONSOLIDATED FINANCIAL STATEMENTS.

The members of the Board of Directors of Renta 4 Banco, S.A. state that to the best of their knowledge the 2014 consolidated annual financial statements approved at the meeting held March 25, 2015 and prepared in accordance with the accounting principles applied, give a true and fair view of the consolidated equity, financial position and results of Renta 4 Banco, S.A.. and subsidiaries, and that the management report includes a fair analysis of the business results and position of Renta 4 Banco, S.A. and subsidiaries, as well as a description of the main risks and uncertainties facing the Group.

Mr. Juan Carlos Ureta Domingo
Chairman

Mr. Pedro Navarro Martínez
Deputy chairman

Mr. Santiago González Enciso
Board member

Mr. Miguel Primo de Rivera y Urquijo
Board member

Mr. Jesús Sánchez-Quiñones González
Board member

Mr Francisco García Molina
Board member

Mr. Eduardo Trueba Cortés
Board member

Mr Pedro Ferreras Díez
Board member

Ms. Sofía Rodríguez – Sahagún Martínez
Board member

Mr. Juan Luis López García
Chief Executive Officer

Mutualidad de la Abogacía
Antonio Arcos Barazal
Board member

Fundación Obra Social Abogacía
Rafael Navas Lanchas
Board member