AUDIT REPORT

RENTA 4 BANCO, S.A. (formerly Renta 4 Servicios de Inversión, S.A.) AND SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2011

(This is a free translation from the original in Spanish)

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report and financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language prevails)

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

We have audited the consolidated financial statements of Renta 4 Banco S.A.. (hereinafter "the Bank") and its subsidiaries comprising together with the Bank, the Renta 4 Group (hereinafter "the Group"), which comprise the consolidated balance sheet at December 31, 2011, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. As explained in Note 2, the directors are responsible for the preparation of the Group's consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and other regulations regarding financial information applicable to the Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with the prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and evaluation of whether the financial statements, the principles and criteria applied, and the estimates made, are in accordance with the applicable regulatory requirements regarding financial information.

In our opinion, the accompanying 2011 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and financial position of Renta 4 Banco, S.A. and subsidiaries at December 31, 2011 and the consolidated results of its operations, changes in consolidated equity and consolidated cash flows for the year then ended, in conformity with the International Financial Reporting Standards as adopted by the European Union and other applicable regulations regarding financial information.

The accompanying 2011 consolidated management report contains such explanations as the directors of Renta 4 Banco, S.A. 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 consolidated financial statements for the year ended December 31, 2011. 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)

José Carlos Hernández Barrasús

March 26, 2012

Renta 4 Banco, S.A. and subsidiaries comprising the Renta 4 Group
CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011	2010
Cash and balances with central banks	**8**	**1,361**	**423**
Financial assets held for trading	**9**	**2,139**	**344**
Loans and advances to credit institutions		-	-
Loans and advances to customers		-	-
Debt securities		1,891	14
Equity instruments		173	27
Trading derivatives		75	303
Memorandum item: Loaned or advanced as collateral		-	-
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		-	-
Memorandum item: Loaned or advanced as collateral		-	-
Available-for-sale financial assets	**10**	**38,543**	**31,700**
Debt securities		12,145	11,164
Equity instruments		26,398	20,536
Memorandum item: Loaned or advanced as collateral		11,158	10,408
Loans and receivables	**11**	**396,865**	**341,452**
Loans and advances to credit institutions		355,214	314,136
Loans and advances to customers		41,651	27,316
Debt securities		-	-
Memorandum item: Loaned or advanced as collateral		-	-
Held-to-maturity investments		-	-
Memorandum item: Loaned or advanced as collateral		-	-
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**	**2,044**	**382**
Associates		2,044	382
Jointly controlled entities		-	-
Insurance contracts linked to pensions		-	-
Reinsurance assets		-	-
Property and equipment	**13**	**29,768**	**29,682**
Property and equipment		25,754	25,667
For own use		25,754	25,667
Leased out on operating lease		-	-
Assigned to welfare projects		-	-
Investment properties		4,014	4,015
Memorandum item: Acquired under finance leases		15,376	15,694
Intangible assets	**14**	**16,766**	**9,953**
Goodwill		15,291	8,939
Other intangible assets		1,475	1,014
Tax assets	**20**	**2,096**	**2,247**
Current		1,425	1,006
Deferred		671	1,241
Other assets	**15**	**1,207**	**930**
Inventories		-	-
Other		1,207	930
TOTAL ASSETS		**490,789**	**417,113**

Renta 4 Banco, S.A. and subsidiaries

Consolidated balance sheets at December 31

LIABILITIES	Note	Thousands of euros 2011	2010
Financial liabilities held for trading	**9**	**82**	**442**
Deposits from central Banks		-	-
Deposits from credit institutions		-	-
Customer deposits		-	-
Debt certificates including bonds		-	-
Trading derivatives		82	442
Short positions		-	-
Other financial liabilities		-	-
Other financial liabilities at fair value through profit or loss		-	-
Deposits from central Banks		-	-
Deposits from credit institutions		-	-
Customer deposits		-	-
Debt certificates including bonds		-	-
Subordinated liabilities		-	-
Other financial liabilities		-	-
Financial liabilities at amortized cost	**16**	**417,836**	**349,844**
Deposits from central banks			-
Deposits from credit institutions		46,043	57,218
Customer deposits		297,951	270,064
Marketable debt securities		23,605	-
Subordinated liabilities		-	-
Other financial liabilities		50,237	22,562
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**	**440**	**250**
Provisions for pensions and similar obligations		-	-
Provisions for tax and other legal contingencies		440	250
Provisions for contingent exposures and commitments		-	-
Other provisions		-	-
Tax liabilities	**20**	**3,178**	**3,851**
Current		1,934	2,669
Deferred		1,244	1,182
Welfare fund		-	-
Other liabilities	**15**	**171**	**141**
Capital repayable on demand		-	-
TOTAL LIABILITIES		**421,707**	**354,528**

Renta 4 Banco S.A. and subsidiaries

Consolidated balance sheets at December 31

	Note	Thousands of euros 2011	2010
EQUITY			
Own funds	**18**	**69,492**	**64,344**
Capital or endowment fund		18,312	16,277
Issued capital		18,312	16,277
Less: Uncalled capital		-	-
Share premium		25,153	27,188
Reserves		34,371	34,727
Retained earnings		34,371	34,727
Other equity instruments		1,850	142
Equity component of compound financial instruments		1,708	-
Non-voting equity units and associated funds		-	-
Other equity instruments		142	142
Less: Treasury shares		(12,860)	(16,269)
Profit (loss) attributable to the parent		4,578	6,034
Less: Dividends and remuneration		(1,912)	(3,755)
Valuation adjustments	**18**	**(1,505)**	**(2,867)**
Available-for-sale financial assets		(1,505)	(2,867)
Cash flow hedges		-	-
Hedges of net investments in foreign operations		-	-
Exchange differences		-	-
. Non-current assets held for sale		-	-
Companies accounted for using the equity method		-	-
Other valuation adjustments		-	-
Non-controlling interests	**18**	**1,095**	**1,108**
Valuation adjustments		42	61
Other		1,053	1,047
		-	-
TOTAL EQUITY		**69,082**	**62,585**
TOTAL EQUITY AND LIABILITIES		**490,789**	**417,113**
MEMORANDUM ITEMS			
Contingent exposures	**19**	**3,500**	**-**
Contingent commitments	**19**	**1,654**	**2,470**
		5,154	**2,470**

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 2011	2010
Interest and similar income	**22.a**	**7,668**	**4,673**
Interest and similar expense	**22.a**	**(4,062)**	**(2,439)**
Interest on capital repayable on demand		**-**	**-**
NET INTEREST INCOME		**3,606**	**2,234**
Returns on equity instruments		**396**	**441**
Share of profit (loss) of entities accounted for using the equity method	**12**	**(519)**	**115**
Fee and commission income	**22.b**	**55,217**	**52,281**
Fee and commission expense	**22.b**	**(19,597)**	**(18,136)**
Gains / (losses) on financial assets and liabilities (net)	**22.a**	**1,888**	**2,809**
Financial assets and liabilities held for trading		1,606	2,924
Other financial instruments measured at fair value through profit or loss		-	-
Other financial instruments not measured at fair value through profit or loss		282	(115)
Other		-	-
Exchange differences (net)		**1,103**	**1,021**
Other operating income	**22.c**	**405**	**253**
Income from issued insurance and reinsurance contracts		-	-
Sales and income from the provision of non-financial services		**405**	**253**
Other operating income		-	-
Other operating expense	**22.c**	**(656)**	**(631)**
Expenses from issued insurance and reinsurance contracts		-	-
Changes in inventories		-	-
Other operating expense		(656)	(631)
GROSS MARGIN		**41,843**	**40,387**
Administrative expenses		**(29,800)**	**(27,049)**
Personnel expenses	**22.d**	(16,712)	(15,592)
Other administrative expenses	**22.e**	(13,088)	(11,457)
Depreciation and amortization	**13 y 14**	**(2,377)**	**(2,325)**
Provision expenses (net)		**(190)**	**-**
Impairment losses (net) on financial assets	**22.f**	**(2,876)**	**(2,600)**
Loans and receivables		(1,443)	(1,019)
Other financial instruments not measured at fair value through profit or loss		(1,433)	(1,581)
OPERATING PROFIT		**6,600**	**8,413**
Impairment losses (net) on other assets		**-**	**-**
Goodwill and other intangible assets		-	-
Other assets		-	-
Gains / (losses) on disposal of assets not classified as non-current assets held for sale		**-**	**-**
Negative difference on business combinations		**-**	**-**
Gains / (losses) on non-current assets held for sale not classified as discontinued operations		**-**	**-**
PROFIT (LOSS) BEFORE TAX		**6,600**	**8,413**
Income tax	**18**	**(2,012)**	**(2,403)**
Mandatory transfer to welfare funds		**-**	**-**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**4,588**	**6,010**
Profit (loss) from discontinued operations (net)		**-**	**-**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**4,588**	**6,010**
Profit (loss) attributed to the parent		**4,578**	**6,034**
Profit (loss) attributed to non-controlling interests		**10**	**(24)**
EARNINGS PER SHARE			
Basic earnings per share (euros)	**18**	0.12	0.16
Diluted earnings per share (euros)	**18**	0.12	0.16

Consolidated statements of changes in equity
Renta 4 Banco, S.A. and subsidiaries

Renta 4 Banco, S.A. and subsidiaries

Consolidated statements of changes in equity

I. Consolidated statements of changes in equity for the year ended December 31

		Thousands of euros	
	Note	2011	2010
OTHER RECOGNIZED INCOME AND EXPENSES		**1,403**	**(1,117)**
Available-for-sale financial assets		**2,006**	**(1,594)**
Valuation gains (losses)		855	(3,290)
Amounts transferred to income statement		1,151	1,696
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		-	-
Investments accounted for using the equity method		-	-
Valuation gains (losses)		-	-
Amounts transferred to income statement		-	-
Other reclassifications		-	-
Actuarial gains / (losses) on pension plans		-	-
Other recognized income and expense		-	-
Valuation gains (losses)		-	-
Amounts transferred to income statement		-	-
Other reclassifications		-	-
Income tax		**(603)**	**477**
PROFIT FOR THE YEAR	**18**	**4,588**	**6,010**
Reported profit for the year		4,588	6,010
Restatement for changes in accounting criteria		-	-
Restatement for prior-year errors		-	-
TOTAL RECOGNIZED INCOME AND EXPENSE		**5,991**	**4,893**
Own funds		5,940	4,857
Non-controlling interests		51	36

Renta 4 Banco, S.A. and subsidiaries

Consolidated statement of changes in equity

II. Consolidated statement of total changes in equity for the year ended December 31, 2011

	Thousands of euros									
	Own funds									
	Capital / endowment fund	Share premium	Other equity instruments	Less: Treasury shares	Profit (loss) attributed to the parent	Less: Dividends and remuneration	Total own funds	Valuation adjustments	Non-controlling interests	Total equity
Opening balance at 01/01/2011	**16,277**	**61,915**	**142**	**(16,269)**	**6,034**	**(3,755)**	**64,344**	**(2,867)**	**1,108**	**62,585**
Restatement for changes in accounting criteria	-	(671)	-	-	-	-	(671)	-	-	(671)
Restatement for prior-year errors	-	-	-	-	-	-	-	-	-	-
Restated opening balance	**16,277**	**61,244**	**142**	**(16,269)**	**6,034**	**(3,755)**	**63,673**	**(2,867)**	**1,108**	**61,914**
Total recognized income / (expense)	-	-	-	-	**4,578**	-	**4,578**	**1,362**	**51**	**5,991**
Other changes in equity	**2,035**	**(1,720)**	**1,708**	**3,409**	**(6,034)**	**1,843**	**1,241**	**-**	**(64)**	**1,177**
Increases / (decreases) in capital / endowment fund (Note 18.a)	2,035	(2,035)	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments (Note 16.c)	-	-	1,708	-	-	-	1,708	-	-	1,708
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Dividends paid / shareholder remuneration (Notes 2.10 and 18.h)	-	-	-		-	(3,827)	(3,827)	-	-	(3,827)
Transactions with own equity instruments (net) (Note 18.g)	-	(53)	-	3,409	-	-	3,356	-	-	3,356
Transfers between equity accounts	-	364	-	-	(6,034)	5,670	-	-	-	-
Increase / (decrease) for business combinations	-	-	-	-	-	-	-	-	-	-
Discretionary allocation to welfare projects and funds	-	-		-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
Other increases / (decreases) in equity	-	4	-	-	-	-	4	-	(64)	(60)
Closing balance at December 31, 2011	**18,312**	**59,524**	**1,850**	**(12,860)**	**4,578**	**(1,912)**	**69,492**	**(1,505)**	**1,095**	**69,082**

Renta 4 Banco, S.A. and subsidiaries

Consolidated statement of changes in equity

II. Consolidated statement of total changes in equity for the year ended December 31, 2010

	Thousands of euros									
	Own funds									
	Capital / endowment fund	Share premium	Other equity instruments	Less: Treasury shares	Profit (loss) attributed to the parent	Less: Dividends and remuneration	Total own funds	Valuation adjustments	Non-controlling interests	Total equity
Opening balance at 01/01/2010	**16,277**	**63,638**	**668**	**(18,312)**	**6,291**	**(3,997)**	**64,565**	**(1,690)**	**1,091**	**63,966**
Restatement for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-
Restatement for prior-year errors	-	-	-	-	-	-	-	-	-	-
Restated opening balance	**16,277**	**63,638**	**668**	**(18,312)**	**6,291**	**(3,997)**	**64,565**	**(1,690)**	**1,091**	**63,966**
Total recognized income / (expense)	-	-	-	-	**6,034**	-	**6,034**	**(1,177)**	**36**	**4,893**
Other changes in equity	**-**	**(1,723)**	**(526)**	**2,043**	**(6,291)**	**242**	**(6,255)**	**-**	**(19)**	**(6,274)**
Increases / (decreases) in capital / endowment fund (Note 17)	-	(3,988)	-	3,985	-	-	(3)	-	-	(3)
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments (Note 16.c)	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Dividends paid / shareholder remuneration (Note 18)	-	-			-	(3,755)	(3,755)	-	-	(3,755)
Transactions with own equity instruments (net) (Note 18.g)	-	(31)	(668)	(1,942)	-	-	(2,641)	-	-	(2,641)
Transfers between equity accounts	-	2,294		-	(6,291)	3,997	-	-	-	-
Increase / (decrease) for business combinations	-	-		-	-	-	-	-	-	-
Discretionary allocation to welfare projects and funds	-	-		-	-	-	-	-	-	-
Share-based payments	-	-	142	-	-	-	142	-	-	142
Other increases / (decreases) in equity	-	2	-	-	-	-	2	-	(19)	(17)
							0			
Closing balance at December 31, 2010	**16,277**	**61,915**	**142**	**(16,269)**	**6,034**	**(3,755)**	**64,344**	**(2,867)**	**1,108**	**62,585**

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 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		**20,732**	**(33,715)**
Consolidated profit (loss) for the year		**4,588**	**6,010**
Adjustments to obtain cash flows from operating activities		**8,072**	**7,308**
Amortization and depreciation	**13**	2,377	2,325
Other adjustments		5,693	4,983
Net increase / decrease in operating assets		**(51,264)**	**36,432**
Financial assets held for trading		(1,795)	8
Other financial assets at fair value through profit or loss		-	-
Available-for-sale financial assets		(12,454)	(9,403)
Loans and receivables		(36,577)	45,426
Other operating assets		(438)	401
Net increase / decrease in operating liabilities		**60,752**	**(81,256)**
Financial liabilities held for trading		(57)	-
Other financial liabilities at fair value through profit or loss		6,467	7,568
Financial liabilities at amortized cost		56,412	(89,102)
Other operating liabilities		(2,070)	278
Income tax receipts (payments)		**(1,416)**	**(2,209)**
CASH FLOWS FROM INVESTING ACTIVITIES		**(10,112)**	**(2,217)**
Payments		**(10,862)**	**(2,658)**
Property and equipment	**13**	(2,194)	(2,062)
Intangible assets	**14**	(7,321)	(596)
Investments	**12**	(1,347)	-
Other business units		-	-
Non-current assets and associated liabilities held for sale		-	-
Held-to-maturity investments		-	-
Other payments related to investing activities			
Collections		**750**	**441**
Property and equipment		354	-
Intangible assets		-	-
Investments		-	-
Other business units		-	-
Non-current assets and associated liabilities held for sale		-	-
Held-to-maturity investments		-	-
Other collections related to investing activities		396	441
CASH FLOWS FROM FINANCING ACTIVITIES		**9,951**	**(8,432)**
Payments		**(27,460)**	**(40,827)**
Dividends	**2.10 & 18**	(3,827)	(3.769)
Subordinated liabilities		-	-
Redemption of own equity instruments		-	-
Acquisition of own equity instruments	**18.g**	(1,056)	(3,456)
Other payments related to financing activities		(22,577)	(33,602)
Collections		**37,411**	**32,395**
Subordinated liabilities		-	-
Issuance of own equity instruments	16.c	25,000	-
Disposal of own equity instruments		4,411	765
Other collections related to financing activities		8,000	31,630
EFFECT OF EXCHANGE RATE CHANGES		**-**	**-**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		**20,571**	**(44,364)**
Cash and cash equivalents at beginning of period	**8**	**59,248**	**103,612**
Cash and cash equivalents at end of period	**8**	**79,819**	**59,248**

MEMORANDUM ITEM			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		**79,819**	**59,248**
Cash		97	75
Cash equivalents at central banks		1,264	348
Other financial assets (note 11.a)		78,458	58,825
Less: Overdrafts repayable on demand		-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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APPENDICES 100

Renta 4 Banco, S.A. and Subsidiaries

Notes to the consolidated financial statement

for the year ended
December 31, 2011

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.

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.

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. As of December 31, 2011, this minimum was equivalent to 2% of the liabilities computable for this purpose. Note that EU Regulation No 1358/2011 took effect on November 24, 2011, stipulating a reserve ratio of 1% in respect of other liabilities included in the reserve base (deposits with an agreed maturity of over two years, deposits redeemable at notice over two years, repos and securities other than shares issued with an original maturity of over two years). The modification applies from the maintenance period starting on January 18, 2012, which will be the first maintenance period that the Entity will have to observe.

- Maintenance of a minimum level of capital. The prevailing legislation stipulates that sufficient equity must be maintained to cover the risks assumed. Throughout 2011, the Group complied with the solvency requirements issued by the Spanish securities market regulator (hereinafter, the CNMV for its acronym in Spanish) (CNMV Circular 12/2008 on the solvency of investment service providers and their consolidable groups) (note 18). From January 1, 2012 on, the Group is obliged to hold the capital levels required by the Bank of Spain (Bank of Spain Circular 3/2008).

- 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 Royal Decree 16/2011, of October 14, as subsequently amended by Royal Decree Law 19/2011 and Royal Decree 2606/1996, on deposit guarantee fund requirements for credit institutions, as per the wording set forth in Royal Decree 948/2001, of August 3, Bank of Spain Circular 4/2004, of December 22, and the Ministerial Order stipulating the contributions to be made to the Deposit Guarantee Fund. In 2011 the Entity was not obliged to make an annual contribution to the Deposit Guarantee Fund, as this is made on a trailing 12-month basis; rather, it was Renta 4, S.A., Sociedad de Valores (a Group company) that made an annual contribution to the Investment Guarantee Fund. The latter fund is regulated by Royal Decree 948/2001, of August 3, on investor indemnification systems, as amended by Law 53/2002, of December 30, on tax, administrative and corporate measures, which stipulates that securities brokerages must contribute annually to the Investment Guarantee Fund.
  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*).

1.1 Spin-off and merger process

On January 26, 2011, Renta 4 Servicios de Inversión, S.A. received Bank of Spain authorization for the acquisition of 100% of Banco Alicantino de Comercio, S.A. The acquisition of 100% of Banco Alicantino de Comercio, S.A. for 15 million euros closed in March 2011.

On June 9, 2011, the boards of Renta 4 Servicios de Inversión, Renta 4, S.A. Sociedad de Valores and Renta 4 Banco, S.A., under the umbrella of the Renta 4 Group restructuring process, designed to make the Group's structure more efficient, and in light of the complementary nature of these companies' business activities and the decision to extend them to including banking activities, agreed unanimously to propose the following at their respective shareholder meetings:

- The merger by absorption of Renta 4 Banco, S.A., Sociedad Unipersonal into Renta 4 Servicios de Inversión, S.A. This transaction qualified as a so-called 'special' merger on the basis that Renta 4 Banco S.A., Sociedad Unipersonal was wholly-owned by Renta 4 Servicios de Inversión, S.A. As a result, Renta 4 Banco, S.A. was dissolved without going into liquidation, its entire equity being transferred *en bloc* to Renta 4 Servicios de Inversión, S.A., which assumed, by way of universal succession, all of the assets, liabilities, rights and obligations constituting the equity of the transferor.

- And successively, albeit part of the same deed, a partial spin-off transaction, by which Renta 4, S.V., S.A. would transfer 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 would be 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 would acquire, also by universal succession, all of the assets, liabilities, rights and obligations comprising the capital so spun off. To this end, the Board of Directors agreed unanimously to draft, approve and execute, together with the directors of Renta 4 Banco, S.A. (Unipersonal) and Renta 4 S.A., S.V. (Unipersonal), the Merger and Spin-off Plan.

The fact that Renta 4, Servicios de Inversión, S.A. was the sole shareholder of Renta 4, Banco S.A. and Renta 4, S.A. Sociedad de Valores meant that both the merger and partial spin-off outlined above qualify as so-called 'special' transactions for the purposes of article 49 of Spanish Law 3/2009, of April 3, on structural modifications to mercantile corporations, so that the merger did not increase the equity of the transferee. As a result, the transactions did not imply any exchange ratio or process. By the same token, insofar as there is no exchange ratio or exchange process and, by extension, no issuance of shares, there is no need for any agreement whatsoever in respect of profit sharing; nor does the spin-off imply an increase in the equity of the transferee or any related exchange ratio or process.

Merger

The balance sheets of Renta 4 Servicios de Inversión, S.A. and Renta 4 Banco, Sociedad Unipersonal as of December 31, 2010 were used for merger accounting purposes. Also for merger accounting purposes, all the transactions carried out by Renta 4 Banco, Sociedad Unipersonal were deemed to have been performed by Renta 4 Servicios de Inversión from March 30, 2011, March 30 included.

The balance sheet of Renta 4 Banco, Sociedad Unipersonal at March 30, 2011 (the merger balance sheet) was the following:

	Thousands of euros	
ASSETS	Carrying amount	Fair value
LOANS AND RECEIBABLES:		
Loans and advances to credit institutions	9,111	9,111
TOTAL ASSETS	9,111	9,111
EQUITY AND LIABILITIES		
OTHER LIABILITIES	4	4
TOTAL LIABILITIES	4	4
EQUITY		
OWN FUNDS	9,107	9,107
TOTAL EQUITY	9,107	9,107
ACQUISITION COSTS	-	15,459
GOODWILL (note 14.a)	-	6,352

Spin-off

The balance sheets of Renta 4 Servicios de Inversión, S.A. and Renta 4, S.A., S.V. Sociedad Unipersonal as of December 31, 2010 were used for transaction accounting purposes. Also for transaction accounting purposes, all the transactions carried out by the economic unit spun out from Renta 4 S.A., Sociedad de Valores were deemed to have been performed by Renta 4 Servicios de Inversión. S.A. from January 1, 2011, January 1 included. As a result of the partial spin-off, Renta 4 S.A., S.V., Sociedad Unipersonal transferred the economic unit encompassing the following business activities: (i) the investment services consisting of the receipt and transmission of financial instrument orders placed by non-institutional clients; (ii) the discretionary and tailored management of investment portfolios under client mandates; (iii) the placement of financial instruments; (iv) the underwriting of issues and placements; (v) auxiliary security custody and administration services on behalf of customers; (vi) the grant of credit or loans to investors to enable trading in financial instruments; (vii) the services related to the underwriting of financial instrument issues and placements; (viii) currency exchange services; and (ix) the investment and auxiliary services relating to the non-financial assets underlying certain financial instruments and that are embedded into certain financial instruments.

The spin-off of the above-listed assets and liabilities implied the addition to the Bank of the following assets, liabilities, contingent liabilities and equity at January 1, 2011:

	January 1, 2011 Thousands of euros
A S S E T S	
Cash	373
Loans and receivables	302,664
Property and equipment	5,163
Intangible assets	517
Other assets	1,488
TOTAL ASSETS	310,205
L I A B I L I T I E S	
Financial liabilities at amortized cost	296,575
TOTAL LIABILITIES	296,575
EQUITY	
Own funds	13,630
TOTAL EQUITY	13,630
TOTAL EQUITY AND LIABILITIES	310,205

As a result of the spin-off, Renta 4 Sociedad de Valores, S.A. transferred net assets to Renta 4 Servicios de Inversión, S.A. in the amount of 13,630 thousand euros, an amount equivalent to 48.42% of Renta 4, S.V., S.A.'s total equity prior to the transaction. Accordingly, Renta 4 S.V., S.A. decreased its capital by 2,944,826.61 euros, by cancelling the shares numbered 1,047,869 to 2,031,485, both inclusive.

The resolutions adopted by the respective boards on June 9, 2011 related to the Merger and Spin-off Plan were ratified by the shareholders of Renta 4 Servicios de Inversión, S.A. (at an Extraordinary General Meeting of Shareholders), Renta 4 Banco, S.A. (at an Extraordinary and Universal General Meeting) and Renta 4, S.A., Sociedad de Valores (Unipersonal) (at an Extraordinary and Universal General Meeting) on September 27, 2011.

On December 19, 2011, Spain's Ministry of Finance approved the merger by absorption of Renta 4 Banco, S.A., into Renta 4 Servicios de Inversión, S.A., 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.

The resolutions ratified at the abovementioned extraordinary shareholder meetings and the related and joint directors' report were raised to public deed on December 23, 2011. The deeds were filed with the Companies Register on January 11, 2012.

On February 8, 2012, the Spanish state tax authorities (AEAT for the entity's acronym in Spanish) were presented with a written application to have both transactions covered by the special tax neutrality regime for mergers, spin-offs, asset contributions and security swaps provided for in Chapter VIII of the consolidated text of the Spanish Corporate Income Tax Act.

The sole purpose of these corporate transactions was to restructure the businesses of the Renta 4 Group. Therefore, the transactions had no material impact on the Group's financial position or equity.

2. OTHER RELEVANT INFORMATION

2.1 Basis of presentation of the consolidated annual financial statements

The Group's consolidated financial statements for 2011 were approved for issue by the Directors of the Bank at their Board meeting on March 20, 2012. It is expected that the consolidated financial statements will be approved at the General Shareholders' Meeting without modification. The 2010 consolidated financial statements of Renta 4 Servicios de Inversión, S.A. and subsidiaries were authorized for issue on March 22, 2011 and were ratified at the Annual General Meeting held on April 28, 2011.

The Group's consolidated financial statements for 2011 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 2011 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, 2011, 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 summarizes the major accounting principles and regulations and measurement criteria applied to the preparation of the Group's consolidated financial statements for 2011. Note 2.9 below provides a summary of the major changes in accounting regulations during financial year 2011.

2.2 Comparison of information

As noted above, the Group's 2011 consolidated financial statements are presented using the formats established in Circular 4/2004 (issued to enact and adapt the International Financial Reporting Regulations of the EU ("EU-IFRS") for the Spanish banking sector) since the Group's parent, Renta 4, Banco S.A., is a Spanish credit institution as of year-end 2011. The 2010 consolidated financial statements were prepared under EU-IFRS, which is why in preparing the accompanying consolidated financial statements the directors have adapted the 2010 consolidated balance sheet, consolidated income statement, consolidated statement of recognized income and expense, consolidated statement of changes in equity and consolidated statement of cash flows to comply with the statement templates stipulated in Bank of Spain Circular 4/2004 and thereby make the figures comparable with those of 2011. These changes did not have any impact whatsoever on the Group's equity at year-end 2010 or on its profit for the year then ended.

Another consideration arising from the application of Circular 4/2004 in drawing up the accompanying consolidated financial statements, besides the presentation changes detailed above, relates to the determination of impairment losses on its loans: in this regard the Group has decided to use the template provided in Appendix IX of Circular 4/2004, which requires reporting entities to recognize impairment losses already incurred as well as inherent losses on portfolios corresponding to transactions that have not been individually detected but that can, on the basis of past experience, be expected to occur. These implicit losses are calculated on the basis of the risk profile of the portfolio. The Group has deemed these losses to be the consequence of the first-time application of accounting criteria; their effect was recognized retroactively, by restating the opening balance of reserves. The impact, net of taxes, was 671 thousand euros.

The Group's consolidated balance sheet at December 31, 2010 and its consolidated income statement and statement of cash flows for the year then ended as authorized for issue by the parent's directors on March 22, 2011 and as adapted for the templates specific to credit institutions are reproduced below. The two presentation formats can be reconciled by following the alphabetic legend accompanying the various line items.

Renta 4 Banco, S.A. and Subsidiaries
Abridged consolidated balance sheet
at December 31, 2010 (thousands of euros)

TEMPLATE AUTHORIZED FOR ISSUE BY THE DIRECTORS
ASSETS

	2010	
Intangible assets	9,953	a.
Goodwill	8,939	
Other intangible assets	1,014	
Property and equipment	29,682	b.
Investments	382	c.
Available-for-sale financial assets	31,700	d.
Deferred tax assets	1,241	e.
Loans and receivables	4,370	(*)
NON-CURRENT ASSETS	**77,328**	
Other assets	1,427	(*)
Current tax assets	1,006	f.
Other balances against public bodies	1,006	
Loans and receivables	277,760	(*)
Due from financial institutions	258,314	
Other receivables	19,446	
Financial assets held for trading	344	g.
Cash and cash equivalents	59,248	(*)
CURRENT ASSETS	**339,785**	
TOTAL ASSETS	**417,113**	

TEMPLATE SPECIFIC TO CREDIT INSTITUTIONS

	2010	
Cash and balances with central banks	**423**	h.
Financial assets held for trading	**344**	g.
Other financial assets at fair value through profit or loss	-	
Available-for-sale financial assets	**31,700**	d.
Debt securities	11,164	
Other equity instruments	20,536	
Loans and receivables	**341,452**	j.
Loans and advances to credit institutions	314,136	
Loans and advances to customers	27,316	
Held-to-maturity investments	**-**	
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	
Hedging derivatives	**-**	
Non-current assets held for sale	**-**	
Investments	**382**	c.
Associates	382	
Jointly controlled entities	-	
Insurance contracts linked to pensions	**-**	
Reinsurance assets	-	
Property and equipment	**29,682**	b.
Property and equipment	25,667	
Investment properties	4,015	
Intangible assets	**9,953**	a.
Goodwill	8,939	
Other intangible assets	1,014	
Tax assets	**2,247**	
Current	1,006	f.
Deferred	1,241	e.
Other assets	**930**	i.
TOTAL ASSETS	**417,113**	

(*) Breakdown:

Non-current loans and receivables	4,370	
Current loans and receivables	277,760	
Cash and cash equivalents – cash equivalents	58,825	
Other assets	497	
	341,452	j.
Cash and cash equivalents – cash	423	h.
Other assets (other than loans and advances)	930	i.

NOTE: the two presentation formats can be reconciled by following the alphabetic legend accompanying the various line items. The sum of the amounts flagged with the same letter in the template authorized for issue by the directors is equivalent to the sum of the amounts flagged with that same letter in the template specific to credit institutions. Additional disclosure has been provided where warranted by referencing asterisks.

Renta 4 Banco, S.A. and Subsidiaries
Abridged consolidated balance sheet
At December 31, 2010 (thousands of euros)

TEMPLATE AUTHORIZED FOR ISSUE BY THE DIRECTORS
EQUITY AND LIABILITIES

	2010	
EQUITY AND LIABILITIES		
Minority interests	1,108	k.
Valuation adjustments	(2,867)	l.
Equity	64,344	m.
EQUITY	**62,585**	n.
Financial liabilities	36,058	(**)
Deferred tax liabilities	1,182	o.
NON-CURRENT LIABILITIES	**37,240**	
Financial liabilities held for trading	442	p.
Financial liabilities	313,538	(**)
Due to financial institutions	122,202	
Due to customers	191,336	
Provisions	250	q.
Current tax liabilities	2,917	(***)
Income tax payable	789	
Other payables to public bodies	2,128	
Other liabilities	141	r.
CURRENT LIABILITIES	**317,288**	
TOTAL EQUITY AND LIABILITIES	**417,113**	

TEMPLATE SPECIFIC TO CREDIT INSTITUTIONS

	2010	
LIABILITIES		
Financial liabilities held for trading	**442**	p.
Trading derivatives	442	
Financial liabilities at amortized cost	**349,844**	(**)
Deposits from credit institutions	57,218	
Customer deposits	270,064	
Debt certificates including bonds	-	
Other financial liabilities	22,562	
Provisions	**250**	q.
Provisions for tax and other legal contingencies	250	
Tax liabilities	**3,851**	
Current	2,669	(***)
Deferred	1,182	o.
Other liabilities	**141**	r.
TOTAL LIABILITIES	**354,528**	
EQUITY		
Own funds	**64,344**	m.
Capital or endowment fund	16,277	
Issued capital	16,277	
Share premium	27,188	
Reserves	34,727	
Retained earnings	34,727	
Other equity instruments	142	
Other equity instruments	142	
Less: Treasury shares	(16,269)	
Profit (loss) attributable to the parent	6,034	
Less: Dividends and remuneration	(3,755)	
Valuation adjustments	**(2,867)**	l.
Available-for-sale financial assets	(2,867)	
Minority interests	**1,108**	k.
Valuation adjustments	61	
Other	1,047	
TOTAL EQUITY	**62,585**	n.
TOTAL EQUITY AND LIABILITIES	**417,113**	

(**) Breakdown:

Non-current financial liabilities	36,058
Current financial liabilities	313,538
Template authorized for issue by the directors:	**349,596**
Financial liabilities at amortized cost	349,844
Template specific to credit institutions:	**349,844**
Difference (corresponding to accounts payable to the Social Security Administration):	(248)

(**) Breakdown:

-	
Current tax liabilities	2,917
Template authorized for issue by the directors:	**2,917**
Current tax liabilities	2,669
Template specific to credit institutions:	**2,669**
Difference (corresponding to accounts payable to the Social Security Administration):	**248**

NOTE: the two presentation formats can be reconciled by following the alphabetic legend accompanying the various line items. The sum of the amounts flagged with the same letter in the template authorized for issue by the directors is equivalent to the sum of the amounts flagged with that same letter in the template specific to credit institutions. Additional disclosure has been provided where warranted by referencing asterisks.

Renta 4 Banco, S.A. and Subsidiaries
Consolidated income statement for the year ended December 31, 2010

TEMPLATE AUTHORIZED FOR ISSUE BY THE DIRECTORS

	Thousands of euros	
Revenue	**2010**	
Fee and commission income	52,534	(*)
Interest and similar income	4,673	a
Return on equity instruments	441	b
Share of profit (loss) of associates	115	c
	57,763	
Expenses		
Fee and commission expenses	(18,136)	d
Interest and similar expense	(2,439)	e
	(20,575)	
Net trading income		
Financial assets and liabilities held for trading	2,924	f
Foreign currency translation differences (net)	1,021	g
Employee benefits expense	(15,592)	h
Other general administrative expenses	(12,027)	(**)
Depreciation and amortization	(2,325)	i
OPERATING PROFIT	**11,189**	
Gains on sale of available-for-sale financial assets	(115)	j
Impairment losses (net)	(2,600)	k
Provisions	-	
Other losses	(61)	(***)
PROFIT (LOSS) BEFORE TAX	**8,413**	
Income tax expense	(2,403)	o
CONSOLIDATED PROFIT FOR THE YEAR	**6,010**	
Attributable to non-controlling interests	(24)	p
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**6,034**	
	6,034	

TEMPLATE SPECIFIC TO CREDIT INSTITUTIONS

	Thousands of euros	
	2010	
Interest and similar income	4,673	a
Interest expense and similar charges	(2,439)	e
Interest on capital repayable on demand	-	
NET INTEREST INCOME	2,234	
Return on equity instruments		
Share of profit (loss) of entities accounted for using the equity method	441	b
Fee and commission income	115	c
Fee and commission expenses	52,281	l
Gains or losses on financial assets and liabilities (net)	(18,136)	d
Financial assets and liabilities held for trading	2,809	f
Other financial instruments measured at fair value through profit or loss	2,924	
NET INTEREST INCOME	-	
Available-for-sale financial assets	(115)	j
Other	-	
Exchange differences (net)	1,021	g
Other operating income	253	
Income from issued insurance and reinsurance contracts	-	
Sales and income from the provision of non-financial services	253	m
Other operating income	-	
Other operating expenses	(631)	
Expenses from issued insurance and reinsurance contracts	-	
Changes in inventories	-	
Other operating expense	(631)	(****)
GROSS MARGIN	40,387	
Administrative expenses	(27,049)	
Personnel expenses	(15,592)	h
Other administrative expenses	(11,457)	n
Depreciation and amortization	(2,325)	i
Provision expenses (net)	-	
Impairment losses (net) on financial assets	(2,600)	k
Loans and receivables	(1,019)	
Other financial instruments not measured at fair value through profit or loss	(1,581)	
OPERATING PROFIT	**8,413**	
Impairment losses (net) on other assets	-	
Goodwill and other intangible assets	-	
Other assets	-	
Gains / (Losses) on disposal of assets not classified as non-current assets held for sale	-	
Negative difference on business combinations	-	
Gains / (Losses) on non-current assets held for sale not classified as discontinued operations	-	
	-	
	-	
PROFIT (LOSS) BEFORE TAX	**8,413**	
Income tax	(2,403)	o
Mandatory transfer to welfare funds	-	
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	6,010	
Profit (loss) from discontinued operations (net)	-	
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	6,010	
Profit (loss) attributed to the parent	6,034	
Profit (loss) attributed to non-controlling interests	(24)	p

(*) Fee and commission income

	Thousands of euros	
Fee and commission income	52,281	l
Revenue and income from the provision of non-financial services	253	m
	52,534	

(**) Other general administrative expenses

	Thousands of euros	
Other general administrative expenses	11,457	n
Included in Other operating expenses	570	(****)
	12,027	

(***) Other losses	61	
Included in Other operating expenses	61	(****)

NOTE: the two presentation formats can be reconciled by following the alphabetic legend accompanying the various line items. The sum of the amounts flagged with the same letter in the template authorized for issue by the directors is equivalent to the sum of the amounts flagged with that same letter in the template specific to credit institutions. Additional disclosure has been provided where warranted by referencing asterisks.

Renta 4 Banco, S.A. and Subsidiaries
Abridged consolidated statement of cash flows (indirect method)

TEMPLATE AUTHORIZED FOR ISSUE BY THE DIRECTORS

	12.31.10	
Profit before tax	**8,413**	w
Adjustments to the Consolidated profit for the year		
Depreciation of property and equipment and amortization of intangible assets	2,325	a
Loss on sale of available-for-sale financial assets	115	w
Movements in provisions	(745)	w
Impairment losses on available-for-sale financial assets	1,581	w
Dividend income	(441)	w
Finance costs	1,928	w
Employee benefits expenses (share-based payment plans)	142	w
Working capital adjustments		
Loans and receivables	45,426	b
Other assets and liabilities (net)	401	c
Financial assets and liabilities held for trading (net)	8	d
Current financial liabilities	(89,102)	e
Tax assets and liabilities	278	f
Other cash flows from operating activities		
Income tax paid	(2,209)	g
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(31,880)**	
Purchase of property and equipment and intangible assets	(2,658)	h
Purchase of available-for-sale financial assets	(9,403)	m
Non-current loans and receivables	39	n
Proceeds from sale of available-for-sale financial assets	7,529	n
Dividends received	441	l
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(4,052)**	
Payments to shareholders for capital decrease	(14)	j
Dividends paid	(3,755)	j
Proceeds from new bank borrowings	31,630	i
Repayment of bank borrowings	(29,369)	k
Payment of finance lease liabilities	(1,941)	k
Tax liabilities	(364)	k
Interest paid	(1,928)	k
Proceeds from transactions with treasury shares	(2,691)	o
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(8,432)**	
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(44,364)**	
Reconciliation:		
Cash and cash equivalents at January 1	103,612	u
Cash and cash equivalents at December 31	59,248	v
Net increase in cash and cash equivalents	**(44,364)**	

TEMPLATE SPECIFIC TO CREDIT INSTITUTIONS

	12.31.10	
CASH FLOWS FROM OPERATING ACTIVITIES	**(33,715)**	
Consolidated profit (loss) for the year	**6,010**	w
Adjustments to obtain cash flows from operating activities	**7,308**	
Amortization and depreciation	2,325	a
Other adjustments	4,983	w
Net increase / decrease in operating assets	**36,432**	
Financial assets held for trading	8	d
Available-for-sale financial assets	(9,403)	m
Loans and receivables	45,426	b
Other operating assets	401	c
Net increase / decrease in operating liabilities	**(81,256)**	
Other financial liabilities at fair value through profit or loss	7,568	n
Financial liabilities at amortized cost	(89,102)	e
Other operating liabilities	278	f
Income tax receipts (payments)	**(2,209)**	g
CASH FLOWS FROM INVESTING ACTIVITIES	**(2,217)**	
Payments	**(2,658)**	
Property and equipment	(2,062)	h
Intangible assets	(596)	h
Collections	**441**	
Other collections related to investing activities	441	l
CASH FLOWS FROM FINANCING ACTIVITIES	(8,432)	
Payments	**(40,827)**	
Dividends	(3,769)	j
Acquisition of own equity instruments	(3,456)	o
Other payments related to financing activities	(33,602)	k
Collections	**32,395**	
Disposal of own equity instruments	765	o
Other collections related to financing activities	31,630	i
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**(44,364)**	
Cash and cash equivalents at January 1	**103,612**	u
Cash and cash equivalents at December 31	**59,248**	v
MEMORANDUN ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	**59,248**	
Cash	75	
Cash equivalents at central banks	348	
Other financial assets	58,825	

NOTE: the two presentation formats can be reconciled by following the alphabetic legend accompanying the various line items. The sum of the amounts flagged with the same letter in the template authorized for issue by the directors is equivalent to the sum of the amounts flagged with that same letter in the template specific to credit institutions. Additional disclosure has been provided where warranted by referencing asterisks.

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 of financial assets.
- Impairment losses on and the useful lives of property and equipment and intangible assets.
- The measurement of equity instruments used in share-based payment plans for directors and employees.
- The measurement of goodwill.
- The fair value of certain financial assets that are not traded on official OTC markets.
- The measurement of financial risks to which the Group is exposed in carrying out its business.

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 2011 or 2010.

2.5 Consolidation basis

The companies included in the consolidation scope have been fully consolidated as of the date they were included in the Group, with the exception of the Group's investment in associate Renta Markets, S.A., which is consolidated using the equity method. Companies are eliminated from the consolidation scope when the Group no longer has control. In this circumstance, the consolidated annual financial statements include the results for the portion of the year in which the Group exercised control.

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

Standards and interpretations taking effect in 2011

The accounting standards used to prepare the accompanying 2011 consolidated financial statements are the same as those used to prepare the prior-year statements except for the following standards that are effective for annual periods beginning on or after 1 January 2011:

- IAS 32 *Classification of rights issues*
- IAS 24 *Related party disclosures*
- IFRIC 19 *Extinguishing financial liabilities with equity instruments*
- IFRIC 14 *Prepayments of a minimum funding requirement*
- Improvements to IFRS (May 2010)

Adoption of these new and amended standards and interpretations did not have any impact on the Group's financial position or performance.

The Group did not early apply any new or amended standards and interpretations published but not yet applicable.

The Group is evaluating the impact that the following standards and interpretations, which have been published by the IASB and approved by the European Union but are not yet applicable, will have on its accounting policies, financial position and performance:

- Amendment to IFRS 7 *Financial instruments: Disclosures – Transfers of financial assets*. Applicable for annual periods beginning on or after July 1, 2011.

At the date of authorizing these consolidated financial statements for issue, the following new and amended standards had been published by the IASB but were not mandatorily applicable and had yet to be endorsed by the EU:

- Amendments to IAS 12 *Deferred tax: recovery of underlying assets.* Applicable for annual periods beginning on or after January 1, 2012.

- Amendments to IAS 1 *Presentation of items of other comprehensive income.* Applicable for annual periods beginning on or after July 1, 2012.

- IFRS 9 *Financial instruments* and amendments to IFRS 9 and IFRS 7 *Mandatory effective date and transition disclosures.* Applicable for annual periods beginning on or after January 1, 2015.

- IFRS 10 *Consolidated financial statements*. Applicable for annual periods beginning on or after January 1, 2013.

- IFRS 11 *Joint arrangements*. Applicable for annual periods beginning on or after January 1, 2013.

- IFRS 12 *Disclosure of interests in other entities*. Applicable for annual periods beginning on or after January 1, 2013.

- IFRS 13 *Fair value measurement*. Applicable for annual periods beginning on or after January 1, 2013.

- Amended IAS 19 *Employee benefits*. Applicable for annual periods beginning on or after January 1, 2013.

- Revised IAS 27 *Separate financial statements.* Applicable for annual periods beginning on or after January 1, 2013.

- Revised IAS 28 *Investments in associates and joint ventures.* Applicable for annual periods beginning on or after January 1, 2013.

- IFRIC 20 *Stripping costs in the production phase of a surface mine* Applicable for annual periods beginning on or after January 1, 2013.

- Amendments to IAS 32 *Offsetting financial assets and financial liabilities.* Applicable for annual periods beginning on or after January 1, 2014.

Amendments to IFRS 7 *Disclosures - Offsetting financial assets and financial liabilities.* Applicable for annual periods beginning on or after January 1, 2013.

Based on the analysis conducted to date, the Group believes that their application will not have a material impact on the consolidated financial statements in the year of first-time application.

A number of new Bank of Spain Circulars (4/2011 and 5/2011) also took effect in 2011 but did not have a material impact on the Group's financial position.

2.10 Appropriation of results

The appropriation of 2011 and 2010 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 2011 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 2010 profit ratified at the Entity's Annual General Meeting on April 28, 2011 is as follows:

	Thousands of euros	
	2011	2010
Voluntary reserves	2,149	2,663
Interim dividend (note 18.h)	1,912	3,755
Dividend	-	1,915
	4,061	8,333

3. SUBSIDIARIES

A list of subsidiaries of Renta 4 Servicios de Inversión, S.A. at December 31, 2011 and 2010 is provided in Appendix I.

The individual annual financial statements of the companies included in the consolidation scope are those corresponding to December 31, 2011 and 2010, respectively.

The changes to the consolidation scope in 2011:

- First-time consolidation from March 2011 of 100% of Banco Alicantino de Comercio, subsequently renamed Renta 4 Banco, S.A., which, as detailed in note 1, was absorbed by Renta 4 Servicios de Inversión, S.A. in March 2011. The business combination gave rise to the recognition of 6,352 thousand euros of intangible assets (notes 1.1 and 14), which is the difference between the price paid (15,459 thousand euros) and the fair value of the assets acquired (cash and cash equivalents) (9,107 thousand euros).
- Incorporation of Renta 4 Investment Fund PLC, in Ireland by Group company Renta 4 Gestora, S.G.I.I.C., S.A., with initial capital of 300 thousand euros.
- Incorporation of a new financial service provider, Renta 4 Chile PLC, via an initial capital contribution of 308 thousand euros.

The only change to the consolidation scope in 2010 was the first-time consolidation of associate Renta Markets, S.A. (accounted for using the equity method). The Group held a 34.99% shareholding in this company at both year-end 2010 and 2011. This associate made a 315 thousand euro contribution to profit in 2011.

The Group classifies its equity investments in subsidiaries and associates in keeping with the following criteria:

- "Subsidiaries" or "Group companies" are those which the parent controls. Control is generally assumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than half the voting power of investees. Control also exists when the parent owns less than this if it has power over half of the voting rights by virtue, for example, of an agreement with other investors. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- "Associates" are entities in which the parent company has significant influence but not control or joint control. This significant influence is usually evidenced by a direct or indirect interest of 20% or more of the voting power of the investee.

4. VALUATION PRINCIPLES AND CRITERIA

The valuation principles and criteria applied in the preparation of the consolidated financial statements were 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.

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 scope for capital generation (such as the conversion of preference shares into ordinary shares; 25 million euros).

b) Accrual basis

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.

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 December 31, 2011 and 2010 the total amount of assets and liabilities denominated in foreign currency was insignificant.

e) Recognition of revenue

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.

Revenue from dividends is recognized in the consolidated income statement when the shareholders' right to receive the payment is established.

f) Financial assets

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 is 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 uses 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 2011 or 2010.

h) Impairment of financial assets

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.

The Group deems assets to be impaired (doubtful) whenever there is reasonable doubt that they will be recovered in full or when transactions present balances that are past due by more than 90 days.

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.

The impairment loss calculation factors in the value of any guarantees available:

- The value of mortgage guarantees is measured on the basis of asset appraisal values, applying haircuts of between 20% and 50%, depending on the class of asset.

- The impairment of transactions with collateral consisting of interests in monetary financial institutions or of debt securities issued by government or credit institutions qualifying as ‘negligible risk’ using Circular 4/2004 nomenclature, or other financial instruments quoted on active markets, is determined by applying a 10% haircut.

In general, the impairment allowance for impaired debt instruments is determined by applying the following sliding scale to the outstanding exposure and factoring in the value of the abovementioned collateral or credit enhancements received:

Past due by	Allowance percentages
Up to 6 months	25%
Between 6 and 9 months	50%
Between 9 and 12 months	75%
Over 12 months	100%

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” arising from the acquisitions of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A in December 2006.

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 are amortized on a straight-line basis over eight years (useful life), which is the period of time the Group estimates it will maintain these relationships based on 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:

	Years of useful life	Depreciation rates
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.

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.

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, 2011 and 2010 provisions recognized in the consolidated balance sheets correspond to Renta 4, Sociedad de Valores, S.A. and to the parent company and primarily cover certain risks of third-party claims arising from the performance of its activities.

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 records 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.

This stock option plan was approved on December 23, 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.

  The Appointments and Remuneration Committee met at the end of 2010 to decide on the beneficiaries of the first grant of shares under the plan. Likewise, it will meet at each year-end to determine the beneficiaries of the subsequent grants.

- 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 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 2011 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.

The cost incurred in 2010 amounted to 142 thousand euros, and was recognized in “Employee benefits expense” in the respective consolidated income statements (note 22.d).

Other employee benefits

At December 31, 2011, the Group had granted loans to several employees to purchase a total of 231,500 shares of Renta 4 Servicios de Inversión S.A. (2010: 289,130 shares). 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 2011 and 2010 consolidated income statements was 59 and 27 thousand euros, respectively (see note 22.d). The amortized cost of these loans at December 31, 2011 amounted to 625 thousand euros (2010: 790 thousand euros) and is recognized in “Loans and receivables – Loans and advances to customers” in current and non-current assets on the accompanying consolidated balance sheet.

In addition, at December 23, 2009, the Group had granted loans to employees to purchase 762,452 shares of Renta 4 Banco, S.A. (formerly Renta 4 Servicios de Inversión, S.A.). The acquisition was financed with loans earning interest at Euribor + 1.5%. These loans are repayable annually and mature within five years of the grant date. At December 31, 2011, the number of shares had fallen to 760,501 as certain employees had partially cancelled the loans. The principal of these loans at December 31, 2011 and 2010 totals 3,196 and 3,446 thousand euros, respectively. This amount is shown in “Loans and receivables – Loans and advances to customers”.

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 131 thousand euros in 2011 and 140 thousand euros in 2010 (note 22.d). The balance of contributions recognized as an expense in the accompanying consolidated income statement was 131 thousand euros (2010: 140 thousand euros) (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 2011 and 2010 related to its defined benefit obligations amounted to 28 and 22 thousand euros, respectively.

The main assumptions used to measure these commitments were:

	2011	2010
Mortality tables	PEMF-2000P	PEMF-2000P
Interest rate	4%	4%
Long-term inflation rate	1%	1.5%
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	
	2011	2010
Pension liabilities for active employees	583	604
Accrued	238	248
Unaccrued	345	356
Total commitments	238	248
Fair value of plan assets (Plan position account)	261	250
Asset (Liability) to be recognized on the balance sheet	23	2

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.

p) Off-balance-sheet customer funds

Funds deposited by third parties for investment in mutual funds and companies, pension funds, savings insurance contracts and discretional 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).

q) 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.

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

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.

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).

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	
	2011	2010
Available-for-sale financial assets (debt securities)	12,145	11,164
Loans and advances to credit institutions	355,214	314,136
Loans and advances to customers	41,651	27,316
Debt securities (held for trading)	1,891	14
Trading and hedging derivatives (held for trading)	75	303
Other assets	1,207	930
Contingent exposures	3,500	-
Maximum exposure	415,683	353,863

Loans and advances to credit institutions: the main components of this portfolio are repurchase agreements with Spanish brokers, current accounts and time deposits with financial brokers, all of which carry credit ratings of at least BB+.

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 2011 or 2010.

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).

	%	
Type of risk	2011	2010
Negligible risk	86.30	88.70
Medium	11.24	8.40
High	2.46	2.90
	100	100

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, 2011 and 2010.

The table below analyses the Group's financial instruments into relevant maturity groupings based on the remaining period at year-end 2011 and 2010 to the contractual maturity date.

2011	Thousands of euros								
	On demand	1 month or less	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 5 years	Over 5 years	Valuation adjustments and undefined/ unclassified maturities	Total
Assets									
Cash and deposits at central banks	1,361	-	-	-	-	-	-	-	1,361
Financial assets held for trading	268	-	1,796	-	-	-	-	-	2,064
Trading derivatives	-	75	-	-	-	-	-	-	75
Loans and advances to credit institutions	86,031	223,001	23,406	22,776	-	-	-	-	355,214
Customer deposits	20,908	4,835	1,298	9	3,384	4,448	161	6,608	41,651
Available-for-sale financial assets	19,923	-	2,357	-	-	-	6,019	10,244	38,543
Other assets	-	1,207	-	-	-	-	-	-	1,207
Total	128,491	229,118	28,857	22,785	3,384	4,448	6,180	16,852	440,115
Liabilities									
Loans and advances to credit institutions	533	3,137	5,307	4,583	7,915	24,557	11	-	46,043
Customer deposits	160,200	135,999	1,752	-	-	-	-	-	297,951
Marketable debt securities	-	-	-	313	-	23,292	-	-	23,605
Other financial liabilities	50,165	-	-	-	-	72	-	-	50,237
Trading derivatives	-	41	-	-	-	41	-	-	82
Other liabilities	-	171	-	-	-	-	-	-	171
Total	210,898	139,348	7,059	4,896	7,915	47,962	11	-	418,089
Liquidity gap	(82,407)	89,770	21,798	17,889	(4,531)	(43,514)	6,169	16,852	22,026
Cumulative liquidity gap	(82,407)	7,363	29,161	47,050	42,519	(995)	5,174	22,026	

2010	Thousands of euros								
	On demand	1 month or less	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year up to 5 years	Over 5 years	Valuation adjustments and undefined/ unclassified maturities	Total
Assets									
Cash and deposits at central banks	423	-	-	-	-	-	-	-	423
Financial assets held for trading	41	-	-	-	-	-	-	-	41
Trading derivatives	-	303	-	-	-	-	-	-	303
Loans and advances to credit institutions	64,571	178,411	44,423	26,731	-	-	-	-	314,136
Customer deposits	1,117	17,069	49		49	3,838	571	4,623	27,316
Available-for-sale financial assets	12,737	-	-	-	3,209	5,510	-	10,244	31,700
Other assets	-	930	-	-	-	-	-	-	930
Total	78,889	196,713	44,472	26,731	3,258	9,348	571	14,867	374,849
Liabilities									
Loans and advances to credit institutions	-	3,132	5,071	4,690	8,340	35,833	152	-	57,218
Customer deposits	154,547	115,517	-	-	-	-	-	-	270,064
Other financial liabilities	20,892	1,598	-	-	-	72	-	-	22,562
Trading derivatives	-	366	-	-	-	76	-	-	442
Other liabilities	-	141	-	-	-	-	-	-	141
Total	175,439	120,754	5,071	4,690	8,340	35,981	152	-	350,427
Liquidity gap	(96,550)	75,959	39,401	22,041	(5,082)	(26,633)	419	14,867	24,422
Cumulative liquidity gap	(96,550)	(20,591)	18,880	40,851	35,769	9,136	9,555	24,422	

As can be observed from the above table, the Group's liquidity gap is typical of retail banking as a result of classifying customer demand deposit maturities as "On demand" and "1 month or less" even though these customers show very high rates of historic permanence, including in moments of maximum tension and uncertainty in the markets.

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, 2011 and 2010 was as follows:

	Thousands of euros	
	2011	2010
Trading portfolio (maximum potential loss)	10	25
Available-for-sale investments (maximum potential loss)	945	460
VaR (% of the portfolio)	0.56 (*)	0.35% (*)

(*) Excludes own securities and bonds issued by the private sector or foreign banks (note 10.a)

c.1) Exchange rate risk

The Group’s exposure to this risk factor is not material.

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 no 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.

The future impact on the consolidated income statement of a 100 basis point increase or decrease in interest rates at December 31, 2011 and 2010 would be:

- An increase or decrease in finance expense and, by extension, a decrease or increase Group profit before tax due to the interest expense associated with servicing the Group’s non-current borrowings (445 and 470 thousand euros on average borrowings of 44,580 and 47,000 thousand euros for 2011 and 2010, respectively) and;
- An increase or decrease in net interest income in respect of the rest of its positions, as part of its liability balances with customers do not bear interest, whereas the investment of the same in highly liquid assets does earn interest.

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 2011 and 2010 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

12/31/2011	Balance sheet total	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial assets held for trading	**2,139**	**2,139**	**100**	**2,039**	**-**
Debt securities	1,891	1,891	-	1,891	-
Other financial assets	173	173	25	148	-
Trading derivatives	75	75	75	-	-
Available-for-sale financial assets	**38,543**	**38,543**	**25,355**	**1,901**	**11,287**
Debt securities	12,145	12,145	-	1,901	10,244
Equity instruments	26,398	26,398	25,355	-	1,043
Loans and receivables	**396,865**	**396,865**	**-**	**-**	**396,865**
Loans and advances to credit institutions	355,214	355,214	-	-	355,214
Loans and advances to customers	41,651	41,651	-	-	41,651

12/31/2010	Balance sheet total	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial assets held for trading	**344**	**344**	**330**	**14**	**-**
Debt securities	14	14		14	-
Other financial assets	27	27	27	-	-
Trading derivatives	303	303	303	-	-
Available-for-sale financial assets	**31,700**	**31,700**	**19,204**	**920**	**11,576**
Debt securities	11,164	11,164	-	920	10,244
Equity instruments	20,536	20,536	19,204	-	1,332
Loans and receivables	**341,452**	**341,452**	**-**	**-**	**341,452**
Loans and advances to credit institutions	314,136	314,136	-	-	314,136
Loans and advances to customers	27,316	27,316	-	-	27,316

Financial liabilities

12/31/2011	Balance sheet total	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial liabilities held for trading	**82**	**82**	**41**	**41**	**-**
Trading derivatives	82	82	41	41	-
Financial liabilities at amortized cost	**417,836**	**417,836**			**417,836**
Deposits from credit institutions	46,043	46,043	-	-	46,043
Customer deposits	297,951	297,951	-	-	297,951
Debt certificates including bonds	23,605	23,605	-	-	23,605
Other financial liabilities	50,237	50,237	-	-	50,237

31/12/2010	Balance sheet total	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Financial liabilities held for trading	**442**	**442**	**366**	**76**	**-**
Trading derivatives	442	442	366	76	-
Financial liabilities at amortized cost	**349,844**	**349,844**	**-**	**-**	**349,844**
Deposits from credit institutions	57,218	57,218	-	-	57,218
Customer deposits	270,064	270,064	-	-	270,064
Debt certificates including bonds	22,562	22,562	-	-	22,562

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 2011 and 2010 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. The fair value of the derivative classified as a Level 2 instrument was provided by the counterparty, Caixa Catalunya.

- 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.

- Equity instruments: Different valuation methods, generally accepted in the market and applied individually to each investment, were used to determine the fair value of all the Group's investments in unlisted equity instruments. In general, the Group has assumed that the valuation of all these unlisted equity instruments was obtained using data not observable in the market, therefore classifying them as Level 3 instruments in the above tables.

- Loans and receivables: These loans are typically very short term in nature and carry floating rates so that their carrying amounts coincide with fair value.

There were no transfers among the various levels in 2011; nor were there significant changes in the valuation of the unlisted equity instruments included in the portfolio of available-for-sale financial assets.

7. SEGMENT INFORMATION

The business segments described below reflect the Group's organizational structure at year end 2011 and 2010 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.
- Corporate Services: includes primarily support services for the rest of the segments, as well as security depositary and custodial services.

The Group carries out its entire activity in Spain. Its customers and the products it offers to them are similar throughout the country.

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 2011 and 2010:

	Thousands of euros									
	Year ended December 31, 2011					Year ended December 31, 2011				
INCOME STATEMENT	Brokerage	Asset Management	Corporate Services	Adjustments	Total	Brokerage	Asset Management	Corporate Services	Adjustments	Total
Interest and similar income										
Internal	-	17	5	(22)	-	-	11	1	(12)	-
External	7,387	-	281	-	7,668	4,660	-	13	-	4,673
Interest and similar expense										
Internal	(22)	-	-	22	-	(12)	-	-	12	-
External	(2,136)	-	(1,926)	-	(4,062)	(1,393)	-	(1,046)	-	(2,439)
Return on equity instruments (dividends)	-	-	396	-	396	-	-	441	-	441
Share of profit (loss) of entities accounted for using the equity method	(519)	-	-	-	(519)	115	-	-	-	115
Fee and commission income										
Internal	5,588	-	-	(5,588)	-	6,411	-	-	(6,411)	-
External	36,084	14,714	4,419	-	55,217	32,040	15,112	5,129	-	52,281
Fee and commission expense										
Internal	-	(5,588)	-	5,588	-	-	(6,411)	-	6,411	-
External	(16,402)	(3,195)	-	-	(19,597)	(15,241)	(2,895)	-	-	(18,136)
Gains or losses on financial assets and liabilities (net)	-	-	1,888	-	1,888	-	-	2,809	-	2,809
Foreign currency translation differences (net)	1,103	-	-	-	1,103	1,021	-	-	-	1,021
Other operating income	-	-	405	-	405	-	-	253	-	253
Other operating expenses	(770)	-	114	-	(656)	(631)	-	-	-	(631)
GROSS MARGIN	**30,313**	**5,948**	**5,582**	**-**	**41,843**	**26,970**	**5,817**	**7,600**	**-**	**40,387**
Employee benefits expense	(13,370)	(2,340)	(1,002)	-	(16,712)	(11,382)	(2,339)	(1,871)	-	(15,592)
Other general expenses	(10,470)	(1,832)	(786)	-	(13,088)	(8,210)	(1,804)	(1,443)	-	(11,457)
Depreciation and amortization	(1,363)	-	(1,014)	-	(2,377)	(1,149)	-	(1,176)	-	(2,325)
Provision expenses	(190)	-		-	(190)		-	-	-	-
Impairment losses (net) on financial assets	(1,443)	-	(1,433)	-	(2,876)	(405)	-	(2,195)	-	(2,600)
PROFIT BEFORE TAX	**3,477**	**1,776**	**1,347**	**0**	**6,600**	**5,824**	**1,674**	**915**		**8,413**
BALANCE SHEET										
Total assets	**396,627**	**9,463**	**117,202**	**(32,503)**	**490,789**	**349,457**	**9,052**	**88,231**	**(29,627)**	**417,113**
Total liabilities	**367,516**	**1,926**	**51,799**	**466**	**421,707**	**321,569**	**2,192**	**36,617**	**(5,850)**	**354,528**
Other information										
Acquisitions of property and equipment	**2,169**	**-**	**25**	**-**	**2,194**	**1,593**	**-**	**469**	**-**	**2,062**

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, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Cash	97	75
Bank of Spain	1,264	348
Rest of deposits	1,264	348
	1,361	423

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	
	2011	2010
Cash	97	75
Bank of Spain	1,264	348
Current accounts (note 11.a)	78,458	58,825
	79,819	59,248

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, 2011 and 2010 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2011	2010	2011	2010
Debt securities	1,891	14	-	-
Other equity instruments	173	27	-	-
Trading derivatives	75	303	82	442
Total	2,139	344	82	442

None of the assets includes in this portfolio was 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 December 31, 2010 is as follows:

	Thousands of euros	
	2011	2010
Public sector – Spain	1,795	-
Other resident sectors	96	14
Total	1,891	14

b) Other equity instruments

The breakdown, by issuer sector, of the balance of "Other equity instruments" at December 31, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Credit institutions	173	27
Total	173	27

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	
	2011	2010	2011	2010
Listed	173	27	100	100
Unlisted	-	-	-	-
	173	27	100	100

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 2011 and 2010, are as follows:

	Thousands of euros					
	Notional amount		Fair value			
	Memorandum accounts		Assets		Liabilities	
	2011	2010	2011	2010	2011	2010
By type of market						
Organized markets	58,550	2,133	75	-	41	63
OTC markets	3,138	4,298	-	-	41	76
Other (organized markets) (*)	-	-	-	303	-	303
	61,688	**6,431**	**75**	**303**	**82**	**442**
By type of product						
Options						
Bought	25,000	-	75	-	-	63
Sold	33,550	2,133	-	-	41	76
Others						
Sold	3,138	4.298	-	-	41	-
Others (*)	-	-	-	303	-	303
	61,888	**6.431**	**75**	**303**	**82**	**442**
By counterparty						
Credit institutions	3,138	4,298	-	303	41	63
Other financial institutions	58,550	2,133	75	-	41	76
Other sectors	-	-	-	-	-	303
Others (*)	-	-	-		-	-
	61,688	**6,431**	**75**	**303**	**82**	**442**
By term to maturity						
Within 1 year	58,550	2,133	75	-	41	63
Between 1 and 3 years	3,138	4,298	-	-	41	76
Others (*)	-	-	-	303	-	303
	61,888	**6,431**	**75**	**303**	**82**	**442**
By class of risk hedged						
Exchange rate risk	3,138	4,298	-	-	41	76
Share price risk	58,550	2,133	75	-	41	63
Other (*)	-	-	-	303	-	303
	61,888	**6,431**	**75**	**303**	**82**	**442**

(*) In 2010, the positions held on behalf of clients in international derivative markets and the CFD agreements held through global (omnibus) custody accounts were recognized at fair value in the held-for-trading portfolio as positions held by the Group vis-à-vis the market (as broker) as offsetting entries vis-à-vis the client positions (amount: 303 thousand euros).

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, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Debt securities	12,145	11,164
Other equity instruments	26,398	20,536
	38,543	31,700

In 2011 and 2010, none of the financial instruments included in this portfolio was transferred or reclassified.

The movement in this balance sheet heading in 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Balance at January 1	31,700	33,116
Additions	12,454	9,403
Disposals	(6,184)	(7,644)
Valuation adjustments	573	(3,175)
Balance at December 31	38,543	31,700

Assets in this portfolio in the amount of 11,158 thousand euros at year-end 2011 (10,408 thousand euros at year-end 2010) 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	
	2011	2010
Public sector – Spain	996	-
Credit institutions	11,149	11,164
Total	12,145	11,164

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).

"Debt securities" relate primarily to private fixed-income bonds amounting to 10,244 thousand euros; the securities' carrying amount is deemed their fair value in light of the fact that any impairment on this investment has been secured by the Group's main shareholder. At December 31, 2010, the Group's biggest shareholder had pledged 344,431 shares in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and 165,457 units of R4 CTA Trading, Fondo de Inversión (note 21) to secure the above-mentioned bonds. These guarantees have since been replaced and at the date of authorizing the 2011 consolidated financial statements for issue the Group's main shareholder had pledged 146,000 shares in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., 94,247 shares in Avilugam S.I.C.A.V. and cash of 4,490,983.10 euros (held in a current account) to secure these bonds (note 21).

The issuers of these bonds have filed for bankruptcy proceedings; they have approved a moratorium on scheduled repayments that is currently the subject of negotiation with its creditors. The Group is monitoring this situation so that it can take the opportune decisions with respect to the collateral provided as soon as the creditor negotiations are complete. Two of the three series of bonds are past due since 2010.

b) Other equity instruments

The breakdown of this heading at year-end 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Investments in UCITS	19,206	13,747
Shares and other equity investments	7,192	6,789
Total	26,398	20,536

The breakdown of "Investments in UCITS" at December 31, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Renta 4 CTA Trading F.I.	8,919	4,997
Renta 4 Renta Fija Euro F.I.	4,844	5,170
Renta 4 Pegasus	1,192	-
Renta 4 Minerva IICIICIL	1,015	993
Other	3,236	2,587
	19,206	13,747

The breakdown of “Shares and other equity interests” at December 31, 2011 and 2010 is as follows:

	Thousands of euros	
Quoted	2011	2010
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	3,744	3,209
BBVA	1,358	1,715
Other	1,138	786
Unquoted		
ICN	496	496
Other equity interests	456	583
	7,192	6,789

The breakdown of “Valuation adjustments” in equity (note 18.k) at year-end 2011 and 2010 as a result of changes in the fair value of the assets held in this portfolio is provided below:

	Thousands of euros	
	2011	2010
Credit institutions	(28)	17
Other resident sectors	(1,476)	(2,890)
Non-resident sectors	(1)	6
Total	(1,505)	(2,867)

The Group has no significant exposures at year-end 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, having recognized impairment losses on the investments in BBVA and Quabit totaling 1,433 thousand euros in 2011 (2010: an impairment loss on the investment in BBVA of 1,581 thousand euros).

11. LOANS AND RECEIVABLES

The breakdown of this heading on the asset side of the balance sheet at December 31, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Loans and advances to credit institutions	355,214	314,136
Loans and advances to customers	41,651	27,316
Total	396,865	341,452

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

a) Loans and advances to credit institutions

The breakdown of this heading is as follows:

	Thousands of euros	
	2011	2010
Time deposits	129,514	130,941
Repurchase agreements	137,573	117,048
Other accounts	86,857	65,153
Valuation adjustments	1,270	994
Accrued interest	1,270	994
	355,214	314,136

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

The main components at both year-ends of "Other accounts" in the table above are current accounts, which accrue interest at market rates for accounts of this nature, in the amount of 78,458 thousand euros (2010: 58,825 thousand euros) and 7,574 thousand euros (2010: 5,746 thousand euros) corresponding to financial guarantees on deposit at international brokerages in connection with international derivatives.

The breakdown of "Time deposits" in 2011 and 2010 is as follows:

12/31/11

Entity	Type	Date of maturity	Thousands of euros
Banco Pastor	3.10%	01/08/2012	2,000
Banco Pastor	3.10%	01/08/2012	12,000
Banco Pastor	3.10%	01/08/2012	3,000
Bankia	3.28%	01/17/2012	4,000
Cajamar	2.70%	03/22/2012	2,800
NCG Banco SA	3.35%	01/09/2012	1,500
Caja Canarias	3.47%	01/07/2012	8,500
Banco Mare Nostrum	3.17%	04/15/2012	2,500
Banco Popular	2.97%	01/24/2012	4,800
CAM	2.08%	02/16/2012	1,026
CAM	3.45%	03/23/2012	275
CAM	3.45%	03/23/2012	225
Banco Gallego	2.73%	01/16/2012	2,000
Bankpime	2.13%	01/08/2012	5,500
Cajamar	3.10%	03/22/2012	4,000
BBVA	2.05%	01/27/2012	15,000
Caja Madrid	3.00%	01/02/2012	20,000
Caja Granada	3.20%	03/17/2012	3,500
Caja Madrid	3.25%	04/05/2012	3,000
CAM	2.08%	02/23/2012	1,015
CAM	3.06%	01/05/2012	1,000
Banca March	2.95%	02/29/2012	10,000
Banca March	2.95%	04/05/2012	9,000
UNNIM	2.96%	01/11/2012	2,500
Banco Gallego	2.23%	01/11/2012	2,000
Banesto	3.00%	04/12/2012	8,000
Caixa Geral	0.65%	02/01/2012	241
Banco Security	0.70%	01/23/2012	132
Total			129,514

12/31/10

Entity	Type	Date of Maturity	Thousands of euros
Banco Gallego	2.98%	01/16/2011	5,800
Banco Popular	3.27%	01/24/2011	4,800
Banco de Valencia	3.25%	02/02/2011	3,000
BANKPIME	2.75%	01/08/2011	2,500
BBVA	3.40%	01/26/2011	13,000
Banco Pastor	3.10%	03/12/2011	15,000
Banco Pastor	3.10%	12/03/2011	2,000
Caixa Laietana	3.75%	03/16/2011	5,200
Caixanova	3.85%	04/07/2011	7,000
Caja Baleares	3.81%	04/15/2011	8,000
Caja Canarias	3.91%	04/07/2011	8,500
Caja Granada	3.50%	03/17/2011	3,500
Caja Madrid	2.00%	01/03/2011	25,000
Caja Segovia	3.47%	04/01/2011	3,000
Cajamar	2.38%	03/22/2011	3,800
Cajamar	3.52%	03/22/2011	3,000
CAM	3.94%	02/12/2011	4,000
CAM	1.53%	02/12/2011	3,000
CAM	3.94%	02/16/2011	4,000
CAM	1.53%	02/22/2011	1,600
UNNIM	3.93%	01/14/2011	5,000
Banco Caixa Geral	0.65%	10/31/2011	241
Total			130,941

The breakdown of assets acquired under resale agreements ('reverse repos') in 2011 and 2010 is as follows:

Public debt securities	Final maturity	Interest rates		Thousands of euros
		Minimum	Maximum	
December 21, 2011	January 27, 2012	0.30%	1.70%	137,573
December 31, 2010	January 10, 2011	1.10%	1.50%	117,048

Of the portfolio of reverse repos, 136,664 thousand euros of assets were sold under repurchase agreements at year-end (note 16) (114,672 thousand euros at year-end 2010).

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:

	Miles de euros	
	2011	2010
By loan type and status:		
Loans secured by physical property	9,060	-
Receivable on demand and sundry loans	3,469	20,864
Doubtful assets	9,536	7,208
Other financial assets	22,514	1,829
Valuation adjustments	(2,928)	(2,585)
	41,651	27,316
By sector:		
Other resident sectors	41,651	27,316
Other non-resident sectors	-	-
	41,651	27,316
Interest rate:		
Floating	41,651	27,316
Fixed	-	-
	41,651	27,316

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	
	2011	2010	2011	2010
Pledged securities	9,060	-	10,377	-
Other	-	-	-	-
	9,060	-	10,377	-

In 2011 the Group was given pledges on customer securities it holds on deposit as collateral against payments receivable. In 2010 the Group had not formally signed such pledges even though the customer securities it holds on deposit did serve as *de facto* collateral against outstanding payments.

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

	Thousands of euros	
	2011	2010
Valuation adjustments:		
Asset impairment losses	(2,928)	(2,585)
	(2,928)	(2,585)

The balance of doubtful assets at year-end 2011 is 9,536 thousand euros (year-end 2010: 7,208 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. In 2010 the guarantees on deposit at the MEFF and margin calls required of clients in connection with derivative trading (note 16.d) were offset in the balance sheet.

c) Impairment losses

The breakdown of the impairment losses recognized at year-end 2011 and 2010 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, 2010	2,585	-	2,585
Additions			
Due to changes in accounting criteria	-	671	671
For other reasons (charged to profit or loss)	2,048	-	2,048
Recoveries (with a credit to profit or loss)	(605)	-	(605)
Write-downs	(1,771)	-	(1,771)
Balance at December 31, 2011	2,257	671	2,928

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

	Thousands of euros
Balance at December 31, 2010	10,268
Additions	
Recovery deemed remote	1,771
For other reasons	250
Balance at December 31, 2011	12,289

12. INVESTMENTS

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

	Thousands of euros	
	2011	2010
Associates		
Securities owned by the Group	2,044	382
Valuation adjustments	-	-
Impairment losses	-	-
	2,044	382

At December 31, 2011, this consolidated balance sheet heading reflected the Group's investment in Renta Markets, S.A. This company contributed 315 thousand euros to Group profit in 2011 (2010: 368 thousand euros). In 2011 the Group also bought shares in this investee, contributing 1,347 thousand euros to equity.

At year-end 2011 and 2010, the breakdown of the "Investments" heading by listed and unlisted shares is as follows:

	2011		2010	
	Thousands of euros	% of total Investments	Thousands of euros	% of total Investments
Unlisted	2,044	100%	382	100%
	2,044	100%	382	100%

The movement in "Investments" on the consolidated balance sheet for 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Opening balance	382	-
Additions	1,347	382
Share of profit/loss for the year	315	-
Closing balance	2,044	382

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	
	2011	2010
Share of profit for the year of Renta Markets, S.A.	315	368
Elimination of fees and commissions paid by another Group company to Renta Markets, S.A.	(834)	(253)
Closing balance	(519)	115

13. PROPERTY AND EQUIPMENT

The breakdown of the movement in this consolidated balance sheet heading at December 31, 2011 and 2010 is as follows:

	Thousands of euros				
	Computer equipment	Furniture, fixtures and other assets	Buildings	Investment property	Total
Cost					
Balance at 12/31/09	4,222	11,511	25,119	-	40,852
Additions	119	1,251	692	5,523	7,585
Disposals	(4)	(1,402)	(4,125)	-	(5,531)
Balance at 12/31/10	4,337	11,360	21,686	5,523	42,906
Additions	228	1,840	-	126	2,194
Disposals	(3)	(249)	-	-	(252)
Balance at 12/31/11	4,562	12,951	21,686	5,649	44,848
Accumulated depreciation					
Balance at 12/31/09	(3,533)	(3,444)	(4,272)	-	(11,249)
Additions	(503)	(1,021)	(459)	(1,508)	(3,491)
Disposals	-	8	1,508	-	1,516
Balance at 12/31/11	(4,036)	(4,457)	(3,223)	(1,508)	(13,224)
Additions	(204)	(1,155)	(383)	(127)	(1,869)
Disposals	2	11	-	-	13
Balance at 12/31/11	(4,238)	(5,601)	(3,606)	(1,635)	(15,080)
Carrying amount at December 31, 2011	324	7,350	18,080	4,014	29,768
Carrying amount at December 31, 2010	301	6,903	18,463	4,015	29,682

The Group had no material contractual commitments for the acquisition or sale of property and equipment at either year-end.

None of the Group's property and equipment was located outside of Spain at either year-end.

The directors estimate that the fair value of the property and equipment owned by the Group is not materially different from the amounts recognized in the accompanying balance sheets.

At December 31, 2011 and 2010 the net carrying amount of property and equipment acquired under finance leases was 15,376 and 15,694 thousand euros, respectively.

On February 8, 2007, Renta 4 Servicios de Inversión, S.A. entered into a finance lease arrangement with a credit entity on a building located in Valencia for office use. The total amount of the lease was 1,673 thousand euros. This price includes a purchase option for 11 thousand euros and financial charges of 261 thousand euros, payable in 120 monthly installments. The lease currently has a nominal interest rate of 4.5% and matures on January 8, 2017.

On July 5, 2001, the Company entered into a finance lease arrangement with a financial institution for the building located at Paseo de la Habana no. 74 in Madrid amounting to 18,170 thousand euros, recognized under “Buildings and other construction” in the accompanying consolidated balance sheet. On November 17, 2004, the Company signed the renewal of the lease agreement, which included remodeling work and other improvements made to the building, plus an extension of the term of the lease up to December 5, 2014. The total amount of the lease following the renewal was 18,018 thousand euros. This amount included the 150 thousand euro purchase option and 1,430 thousand euros in financial charges, payable in 120 monthly installments. The interest rate was established as one-year Euribor plus a differential of 0.60%, which is adjusted annually. The renewal was deemed effective as of December 5, 2004.

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

	Thousands of euros			
	2011		2010	
	Less than 12 months	Over 12 months	Less than 12 months	Over 12 months
Value of the commitment –future minimum payments	1,959	4,206	1,936	6,097
Financial charge	(144)	(142)	(150)	(228)
Finance lease commitments - Present value (note 16)	1,815	4,064	1,786	5,869

The breakdown of outstanding payments and present value of these leases at December 31, 2011 and 2010 is as follows:

	Thousands of euros			
Future minimum payments	Within one year	After one year but not more than five years	More than five years	Total
2011	1,959	4,206	-	6,165
2010	1,936	5,941	156	8,033
Present value				
2011	1,815	4,064	-	5,879
2010	1,786	5,717	152	7,655

14. INTANGIBLE ASSETS

a) Goodwill

The breakdown of the movement in this consolidated balance sheet heading in 2011 and 2010 is as follows:

	Thousands of euros		
	Cost	Impairment losses	Total
Balances at 12/31/09	11,150	(2,211)	8,939
Others	-	-	-
Balances at 12/31/10	11,150	(2,211)	8,939
Additions, 2011 business combination	6,352	-	6,352
Balances at 12/31/11	17,502	(2,211)	15,291

Banco Alicantino goodwill

On January 26, 2011, as described in note 1, Renta 4 Servicios de Inversión, S.A. received the go-ahead from the Bank of Spain for the acquisition of 100% of Banco Alicantino de Comercio, S.A., which closed in March 2011. The purchase price was 15 million euros and the fair value of the assets acquired (cash and cash equivalents) was determined to be 9 million euros. On March 30, 2011, Banco Alicantino de Comercio merged into Renta 4 Servicios.

The price paid in excess of the fair value of the identifiable assets (goodwill) corresponds to the value ascribed to the banking license and IT systems acquired, which will enable the Group to develop new businesses and activities. For impairment testing purposes, the transaction date and business plan presented by the Entity were used. The directors also took the following qualitative considerations into account in preparing its business projections:

- Access in its capacity as a bank to European Central Bank liquidity facilities.
- Greater security for clients, paving the way for new business generation and enhanced customer retention.
- Access to new business opportunities.

The main assumptions used in the impairment test were as follows:

	2011
Period projected (years)	3 years
Discount rate (period projected)	11%
Discount rate less expected growth rate (final value)	12%

The directors concluded from the test that there was no need to recognize any impairment losses.

Gesdinco Gestión, S.G.I.I.C. and Padinco Patrimonios, S.A. goodwill

Additions in 2006 related to the acquisitions of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. The differences between the acquisition costs and the fair values of the net assets acquired have been provisionally allocated as goodwill, in the amounts of 5,476 thousand euros and 192 thousand euros, respectively.

Since Gesdinco Gestión, S.G.I.I.C., S.A. merged with Renta 4, Gestora S.G.I.I.C, S.A. in 2007 and Padinco Patrimonios, S.A. ceased its activity as an investment management company, transferring its managed portfolios to Renta 4, Sociedad de Valores, S.A. To perform an impairment test at December 31, 2010 and 2009, the Group analyzed the level of permanence of the assets invested by the various investors and shareholders in the collective investment schemes managed by Gesdinco Gestión, S.G.I.I.C., S.A., as well as the assets held by customers managed by Padinco Patrimonios, S.A.

The impairment tests performed in 2011 did not uncover the need to recognize any additional goodwill impairment loss.

Renta 4 Burgos, S.A., Renta 4 Aragón, S.A., Renta 4 Huesca, S.A. goodwill

The breakdown of the rest of goodwill by cash generating unit at December 31, 2011 and 2010, as well as the results of the impairment tests performed, are as follows:

	Thousands of euros				
Cash-generating unit	Goodwill	Net asset	Value of investment	Discounted cash flows (enterprise value)	Impairment
2011					
Renta 4 Burgos, S.A.	596	45	643	827	-
Renta 4 Aragón, S.A.	2,231	70	2,302	2,305	-
Renta 4 Huesca, S.A.	586	1	588	681	-
	3,413	116	3,533	3,813	-
2010					
Renta 4 Burgos, S.A.	596	46	643	2,247	-
Renta 4 Aragón, S.A.	2,231	72	2,302	2,303	-
Renta 4 Huesca, S.A.	586	2	588	1,202	-
	3,413	120	3,533	5,752	-

The main assumptions used in determining value in use were as follows:

	2011	2010
Period projected (years)	3 years	3 years
Discount rate (period projected)	11%	11 %
Discount rate less expected growth rate (final value)	12%	12%

The discount rate and projected cash flows for each cash-generating unit are the assumptions upon which the calculations are most sensitive. Therefore, for a conservative assessment, the directors have applied higher risk premiums the farther out the cash flows from the valuation after initial years of strong expected business growth.

Taking into consideration the historic earnings performance of each CGU, at December 31, 2011, the Group estimated annual profit growth through 2013 of between 5% and 6% for each CGU.

b) Other intangible assets

This consolidated balance sheet heading includes software acquired from third parties. This account registered the following activity in 2011 and 2010:

	Thousands of euros		
	Cost	Accumulated amortization	Carrying amount
Balance at 12/31/09	2,610	(1,850)	760
Additions and charges	596	(341)	255
Derecognitions	(1)	-	(1)
Balance at 12/31/10	3,205	(2,191)	1,014
Additions and charges	969	(508)	461
Additions and charges due to business combinations	-	-	-
Derecognitions due to business combinations	-	-	-
Derecognitions	-	-	-
Balance at 12/31/11	4,174	(2,699)	1,475

15. OTHER ASSETS AND OTHER LIABILITIES

The breakdown of these headings in the accompanying consolidated balance sheet at December 31, 2011 and 2010 is as follows:

	Thousands of euros	
Assets:	2011	2010
Prepayments and accrued income	1,205	720
Fees and commissions receivable	2	210
	1,207	930

At December 31, 2011, the main item comprising "Prepayments and accrued income" in the table above relates to expenses in the amount of 542 thousand euros incurred by the Entity directly in connection with the convertible bond issue (note 16.c); these expenses are being charged to the consolidated income statement over the life of the convertible bond issue.

	Thousands of euros	
Liabilities:	2011	2010
Fees and commissions payable	136	119
Accrued expenses and deferred income	35	22
	171	141

16. FINANCIAL LIABILITIES AT AMORTIZED COST

The breakdown of these liability headings of the accompanying consolidated balance sheet at December 31, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Deposits from credit institutions	46,043	57,218
Customer deposits	297,951	270,064
Debt certificates including bonds	23,605	-
Other financial liabilities	50,237	22,562
	417,836	349,844

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

a) Deposits from credit institutions

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

	Thousands of euros	
	2011	2010
Time accounts	45,485	57,210
Other accounts	533	-
Valuation adjustments – Interest accrued by non-resident institutions	25	8
Total	46,043	57,218

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

	Thousands of euros	
	2011	2010
Loans and implicit financial liabilities	39,606	49,555
Finance lease agreements (Note 13)	5,879	7,655
	45,485	57,210

The breakdown of these loans is as follows:

31/12/11

			Thousands of euros	
			12/31/11	
		Final maturity	Limit	Drawn down
BBVA	6m Euribor + 1.5%	12/31/2012	3,000	1,027
Barclays	1m Euribor + 2.00%	10/09/2012	3,000	833
Caixa Cataluña (2)	1Y Euribor 1 + 0.32%	02/28/2014	3,000	919
CAM	3m Euribor + 1.50%	09/11/2012	2,000	628
Caja Cataluña	1Y Euribor + 0.50%	03/31/2013	3,000	524
B. Pastor	Fixed rate, 3.258%	07/31/2012	3,500	609
CajAstur	6m Euribor + 0.75%	03/27/2012	3,000	162
Cajamar	1Y Euribor + 0.75%	06/16/2012	1,500	135
Bancaja	3m Euribor + 0.7%	04/10/2012	2,000	143
Barclays	1m Euribor + 0.8%	03/27/2012	3,000	161
Banca March	3m Euribor + 1.15%	01/01/2014	3,000	1,301
Caja Canarias	1Y Euribor + 1.75%	05/01/2014	2,000	969
Banco Popular	1Y Euribor + 1.8%	04/03/2014	3,000	1,477
Bankpyme (4)	1Y Euribor + 2%	02/09/2015	3,000	1,959
Caixanova	1Y Euribor + 2.25%	02/01/2013	1,000	406
Caja Madrid	1Y Euribor + 1.5%	01/01/2013	4,000	1,555
Banco de Valencia	1Y Euribor + 2.35%	02/01/2013	1,500	604
Caixa Galicia	1Y Euribor + 2.25%	04/01/2013	1,500	686
EBN (5)	3m Euribor + 2.5%	02/01/2011	2,116	2,116
Bancaja	1Y Euribor + +3%	04/01/2015	2,000	1,384
Cajamar	1Y Euribor +1.5%	04/20/2015	2,000	1,370
Caja Canarias	1Y Euribor +1.5%	07/02/2015	2,000	1,464
BBVA (1)	3m Euribor +1.9%	09/17/2013	3,500	2,081
Banco Gallego	1Y Euribor +1.5%	07/16/2015	2,000	1,469
Caixa Galicia	1Y Euribor +2.25%	11/01/2013	1,000	653
CAM	1Y Euribor +1.5%	11/18/2013	1,000	649
BBVA	3m Euribor +3.75%	09/01/2013	2,000	1,426
Banco Sabadell	1Y Euribor + 4.10%	06/30/2016	3,000	2,734
Banco Pastor	ICO + 2.5%	12/25/2014	3,000	3,000
Subtotal			69,616	32,444
Implicit financial liabilities (3)	3m Euribor + 1.50%	15/01/2015	8,952	7,162
				39,606

(1) Loans secured by 180 thousand BME shares (Note 10).

(2) At the time of arranging the loans, the Company entered into a swap, a cap and a floor to hedge the related interest-rate risk. The characteristics of these instruments are as follows:

Contract	(Thousands of euros) Nominal amount	Start date	Expiry
Swap	1,046	03/01/07	03/01/2014
Purchase of cap	1,046	03/01/07	03/01/2014
Sale of floor	1,046	03/01/07	03/01/2014

The fair value of these financial contracts of 41 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, 2011 (76 thousand euros at December 31, 2010) (Note 9).

(3) Amount corresponding to the implicit financial liability pending payment for the repurchase of shares of the parent, acquired through a financial broker (note 18.g), guaranteed by 651,091 parent company shares and 343,341.30 participation units of Renta 4 Renta Fija Euro, FI.

(4) Loans secured by Caja de España debentures on deposit at Bankpyme (par value 1 million euros)

(5) Loan secured by 406,932 parent company shares plus 203,225 BBVA shares (Note 10).

12/31/10

			Thousands of euros	
			12/31/10	
		Final maturity	Limit	Drawn down
BBVA	3m Euribor + 1.5%	12/31/2012	3,000	2,025
Barclays	1m Euribor + 2.00%	10/09/2012	3,000	1,833
Caixa Cataluña (2)	1Y Euribor + 0.32%	02/28/2014	3,000	1,282
Caja Astur	6m Euribor + 0.60%	06/09/2011	2,500	227
Caixa Nostra	1Y Euribor + 1.60%	05/31/2011	3,000	272
CAM	3m Euribor + 1.50 %	09/11/2012	2,000	1,294
Caja Cataluña	1Y Euribor + 0.50%	03/31/2013	3,000	933
B. Pastor	*Fixed rate 3.285%*	07/31/2012	3,500	1,622
Caixa Galicia	1Y Euribor + 0.5%	08/01/2011	2,000	290
Cajamar	1Y Euribor + 0.5%	05/09/2011	1,000	90
CajAstur	6m Euribor + 0.75%	03/27/2012	3,000	804
Cajamar	1Y Euribor + 0.75%	06/16/2012	1,500	455
Bancaja	3m Euribor+ 0.7%	04/10/2012	2,000	567
Barclays	1Y Euribor + 0.8%	03/27/2012	3,000	798
Banca March	3m Euribor + 1.15%	01/01/2014	3,000	1,906
Caja Canarias	1Y Euribor + 1.75%	05/01/2014	2,000	1,365
Banco Popular	1Y Euribor + 1.8%	04/03/2014	3,000	2,072
Bankpyme (4)	1Y Euribor + 2%	02/09/2015	3,000	2,533
Caixanova	1Y Euribor + 2.25%	02/01/2013	1,500	737
Caja Madrid	1Y Euribor + 1.5%	01/01/2013	4,000	2,778
Banco de Valencia	1Y Euribor + 2.35%	02/01/2013	1,500	1,059
Caixa Galicia	1Y Euribor + 2.25%	04/01/2013	1,500	1,180
EBN (5)	3m Euribor + 2.5%	02/01/2011	2,116	2,116
Bancaja	1Y Euribor + 3%	04/01/2015	2,000	1,757
Cajamar	1Y Euribor + 1.5%	04/20/2015	2,000	1,752
Caja Canarias	1Y Euribor + 1.5%	07/02/2015	2,000	1,844
BBVA (1)	3m Euribor + 1.9%	09/17/2013	3,500	3,219
Banco Gallego	1Y Euribor + 1.5%	07/16/2015	2,000	1,846
Caixa Galicia	1Y Euribor + 2.25%	11/01/2013	1,000	974
CAM	1Y Euribor + 1.5%	11/18/2013	1,000	973
Subtotal			70,616	40,603
Implicit financial liabilities (3)	3m Euribor +1.50%	01/15/2015	8,952	8,952
				49,555

(1) Loans secured with 180 thousand BME shares (Note 10).

(2) At the time of arranging the loans, the Company entered into a swap, a cap and a floor to hedge the related interest-rate risk. The characteristics of these instruments are as follows:

Contract	(Thousands of euros) Nominal amount	Start date	Expiry
Swap	1,433	03/01/07	03/01/2014
Purchase of cap	1,433	03/01/07	03/01/2014
Sale of floor	1,433	03/01/07	03/01/2014

The fair value of these financial contracts of 76 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, 2010 (85 thousand euros at December 31, 2009). (See Note 9)

(3) Amount corresponding to implicit financial liability pending payment for the repurchase of shares of the parent, acquired through a financial intermediary, guaranteed by 813,864 parent company shares and 429,176.63 participation units of Renta 4 Renta Fija Euro, FI.

(4) Loans secured by a deposit of Caja de España debentures Bankpyme (par value 1 million euros)

(5) Loan secured by 406,932 parent company shares.

b) Customer deposits

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

	Thousands of euros	
	2011	2010
Demand deposits		
Current accounts	160,200	154,547
Other demand funds	1,063	837
Repurchase agreements (Note 11.a)	136,664	114,672
Valuation adjustments	24	8
	297,951	270,064

c) 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	
	2011	2010
Bonds and debentures	23,292	-
Valuation adjustments	313	-
Interest	313	-
Total	23,605	-

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 (Note 18).

d) 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	
	2011	2010
Payment obligations	1,598	1,351
Deposits received	72	72
Tax collection accounts	260	247
Social Security Administration	260	247
Financial guarantees	44,835	18,727
Other items	3,472	2,165
Total	50,237	22,562

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

17. PROVISIONS

The breakdown of this consolidated balance sheet heading at year-end 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Other provisions	440	250
	440	250

The breakdown of the movement in this heading in 2011 and 2010 is as follows:

	Other provisions
Balance at December 31, 2009	995
Additions with a charge to profit or loss	-
Provision recoveries with a credit to profit or loss	-
Provisions utilized	(745)
Balance at December 31, 2010	250
Additions with a charge to profit or loss	190
Provision recoveries with a credit to profit or loss	-
Provisions utilized	-
Balance at December 31, 2011	440

This heading includes:

At December 31, 2011, Group provisions include a 250 thousand euro provision with respect to VAT receivable which has been claimed by the parent company.

The 2011 charge corresponds to a provision recognized in connection with a lawsuit deriving from the Group's business activities.

18. EQUITY

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

	Thousands of euros	
	2011	2010
Issued capital	18,312	16,277
Share premium	25,153	27,188
Reserves	34,371	34,727
Other equity instruments	1,850	142
Less: Treasury shares	(12,860)	(16,269)
Profit for the year	4,578	6,034
Less: dividends and remuneration	(1,912)	(3,755)
Total	69,492	64,344

a) Issued capital

At December 31, 2010, the Company's share capital comprised 40,693,203 shares with a nominal value of 0.40 euros, en total 16,227 miles de euros.

On September 27, 2011, the parent's shareholders, in general meeting, resolved to increase equity, with a charge to the share premium account, by 2,034,660.15 euros, by increasing the nominal value of the shares from 0.40 to 0.45 euros, which put the parent's share capital at 18,311,941.35 euros (comprising 40,693,203 shares with a unit nominal value of 0.45). The shareholder resolution was raised to public deed on October 6, 2011.

Share capital at December 31, 2011 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, 2011 was 5.02 euros (2010: 4.9 euros).

The Company's shareholder structure in 2011 and 2010 was as follows:

	2011		2010	
	Number of shares	Percentage stake	Number of shares	Percentage stake
Mr. Juan Carlos Ureta Domingo	13,642,187	33.524%	14,421,753	35.440%
Vasco Madrileña de Inversiones, S.L.	467,626	1.149%	917,626	2.255%
Sociedad A.R. Santamaría, S.L.	115,100	0.283%	515,100	1.266%
Ms. Matilde Estades Seco	896,986	2.204%	880,431	2.164%
Surikomi, S.A.	2,321,548	5.705%	1,956,042	4.807%
Recarsa, S.A.	244,909	0.602%	230,179	0.566%
Asecosa, S.A.	2,296,735	5.644%	1,746,735	4.292%
Other (including treasury shares)	20,708,112	50.888%	20,025,337	49.211%
	40,693,203	100,00%	40,693,203	100.00%

At December 31, 2011, in addition to the direct holding shown in the preceding table, the Company's main shareholder owns 15.59% indirectly (2010: 15.35%), giving him a total ownership interest in the Company of 49.11% (2010: 50.79%).

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.

As a result of the equity increase charged against the share premium account undertaken on September 27, 2011, detailed in note 18.a) above, the parent's share capital consists of 40,693,203 shares, each with a nominal value of 0.45 euros.

In an extraordinary general meeting held on December 22, 2009, the parent company's shareholders approved a shareholder distribution amounting to 3,988 thousand euros against the share premium account in the form of Renta 4, Servicios de Inversión, S.A. shares held as treasury shares. The payment ratio was set at 1 Renta 4 share for every 50 shares outstanding. As a result, on January 6, 2010, the Group paid 14 thousand euros in cash (fractions) and delivered 756,957 treasury shares of the parent company. These shares were derecognized from "Treasury shares" in January 2010, the date on which the shares were delivered. This distribution of treasury shares generated a gain of 11 thousand euros (the difference between the listed share price on January 6, 2010 and the carrying amount of these shares in the Group's financial statements). This gain was recognized in "Reserves" within equity in the accompanying consolidated balance sheet.

c) Reserves

The breakdown of this heading at December 31, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Legal reserve	3,415	3,415
Other reserves	30,956	31,312
	34,371	34,727

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

Company	Thousands of euros 2011	2010
Renta 4 Banco, S.A.	29,192	27,095
Renta 4, Sociedad de Valores, S.A.	5,509	10,015
Renta 4 Burgos, S.A.	(2,474)	(2,474)
Renta 4 Aragón, S.A.	(1,047)	(1,047)
Renta 4 Vizcaya, S.A.	(362)	(362)
Renta 4 Gestora, SGIIC, S.A.	(1,142)	(1,581)
Renta 4 Huesca, S.A.	(373)	(373)
Renta Market, S.A.	368	-
Carterix, S.A.	257	271
Renta 4 Pensiones, S.G.F.P., S.A.	353	77
Renta 4 Equities	178	(303)
Other	497	(6)
	30,956	31,312

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.

e) Voluntary reserves

The Company's voluntary reserves at December 31, 2011 and 2010 and freely distributable as there were no unused tax losses from prior years.

f) Other equity instruments

The Group has a share-based payment plan 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", as described in note 4.p.

In 2010, Group employees exercised their rights to acquire 194,375 shares of the 259,972 allocated to the plan. The delivery and issue of these shares decreased equity in 2010 by 1 thousand euros, mainly due to the difference between the market price of the shares and the cost of acquiring the treasury shares, recognized in "Treasury shares" under "Equity". No employees exercised their call options in 2011 so that no provision has been recognized in this respect in 2011 as take-up is expected to be nil once again.

At December 31, 2010, the cost accrued for this new plan amounted to 142 thousand euros (Note 22.d).

This heading also includes the value allocated to the equity component of the convertible bonds issued in 2011 (Note 16.c) in the amount of 1,708 thousand euros.

g) Treasury shares

The movement in this heading in 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Balance at January 1	(16,269)	(18,312)
Shares given to employees (2005-2009 plan)	-	1,020
Shares delivered from share premium distribution	-	3,985
Purchases	(1,056)	(3,456)
Sales	4,465	494
Balance at December 31	(12,860)	(16,269)

The Group sold own equity instruments in 2011, recognizing the gain (53 thousand euros) in "Reserves" (2010: a loss of 19 thousand euros).

This heading includes the following shares at December 31:

	No. of shares	
	2011	2010
Shares pending delivery (2010-2014 plan)	1,302,183	1,627,728
Other	1,158,037	1,478,114
	2,460,220	3,105,842

On December 22, 2009, the parent company signed an agreement with Banco Madrid, S.A. linked to the new five-year share-based payment plan (note 17) that will be offered to Renta 4 Group directors, managers and employees. By virtue of this agreement, Banco de Madrid agrees to acquire 1,627,728 shares of Renta 4 Servicios de Inversión, S.A. In addition, this agreement grants the parent company a call option on one fifth of the shares at 6 euros per share over the next five years. The first option expires on January 15, 2011. The counterparty likewise receives a put option under the same terms, amounts and maturities as those stipulated for the Company's purchase option.

The purchase and selling price of the shares on any of the options granted is 5.50 euros per share; thus, the total sale price of the shares is 8,952,504 euros.

As a cross option exists for the same price, either the Company will exercise its call option or the counterparty its put option and accordingly, the value of the shares are shown as a reduction of the Group's capital and reserves and the corresponding financial liability with Banco de Madrid is recognized (note 16.a).

To meet its obligations with Banco de Madrid, the parent company has pledged:

- 651.091 shares of Renta 4 Banco, S.A.
- 343.341,30 participation units in Renta 4 Fija Euro, F.I. (investment fund)

h) Interim dividend

On November 22, 2011, 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 1,912 thousand euros, charged against 2011 profit. Payment was made on December 7, 2011.

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:

Projected distributable parent company profits for the year	Thousands of euros
Profit after tax at November 30, 2011	7,000
Less: minimum legal reserve requirement	210
Projected distributable profit for the year	6,790
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	78,000
Projected cash a year after the date of the agreement	90,000

On November 5, 2010, the Board of Directors of the parent company decided to pay an interim dividend of 0.10 euros per share, for a total amount of 3,755 thousand euros, charged against 2010 profit. Payment was made on December 7, 2010.

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:

Projected distributable parent company profits for the year	Thousands of euros
Profit after tax at October 31, 2010	3,845
Less: minimum legal reserve requirement	-
Projected distributable profit for the year	3,845
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	5,380
Projected cash a year after the date of the agreement	7,380

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) 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 following reflects the data used in the basic and diluted earnings per share computations:

	2011	2010
Net profit attributable to equity holders of the parent (in thousands of euros)	4,578	6,034
Weighted average number of ordinary shares for basic and diluted earnings per share	37,995,277	37,579,900
Weighted average number of ordinary shares, excluding treasury shares, for calculating diluted earnings per share	41,120,277	37,579,900
Basic earnings per share (euros)	0.12	0.16
Diluted earnings per share (euros)	0.12	0.16

j) Minimum capital requirements

Bank of Spain Circular 3/2008, of May 22, on the calculation and control of minimum capital requirements and its subsequent amendments, regulates the minimum capital requirements for Spanish credit institutions – both as individual entities and as consolidated groups – and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market in this connection.

The table below details the Group's eligible capital at year-end 2011 and 2010 (calculated in accordance with CNMV Circular 12/2008, of December 30):

	Thousands of euros	
	2011	2010
Eligible capital		
Paid-in capital	18,312	16,277
Treasury shares	(12,860)	(16,269)
Treasury shares (financing granted to third parties for the acquisition of treasury shares)	(7,436)	(9,343)
Premiums	25,153	27,188
Others instruments eligible as capital	1,850	142
Eligible reserves		
Reserves (including valuation adjustments)	28,256	27,250
Reserves to be filtered through unrealized gains and losses reserve	1,505	2,867
Minority interest	1,053	1,047
Unrealized gains (losses) reserve eligible for meeting basic capital requirements	(1,463)	(2,806)
Deductions from basic capital		
Intangible assets	(12,156)	(5,344)
Basic capital	**42,214**	**41,009**
Tier 2 basic capital	-	-
Deductions from tier 2 basic capital	-	-
Total eligible basic capital	**42,214**	**41,009**
Capital requirements		
Credit, counterparty, dilution and settlement risk (standard method)	14,026	11,172
Price and foreign currency risk	289	148
Operational risk	6,021	5,917
Temporary capital and other requirements	-	182
Total required capital	20,336	17,419
Surplus capital	21,878	23,590

(*) Includes treasury shares (third-party financing for the acquisition of treasury shares)

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 2011 and 2010 and the profit or loss attributable to non-controlling interests:

2011

	% Shareholding at 12/31/11	Thousands of euros Balance at 12/31/10	Profit (loss) for the year	Other	Balance at 12/31/11
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	0.09	1	-	-	1
Renta 4 Guipúzcoa, S.A.	85.00	1,057	8	(19)	1,046
Renta 4 Inversiones de Valladolid, S.A.	1.01	8	-	-	8
Renta 4 Lérida, S.A.	18.34	16	1	-	17
Renta 4, Sociedad de Valores, S.A.	0.00	4	-	(4)	-
Rentsegur Correduría de Seguros, S.A.	27.50	21	1	-	22
Renta 4 Equities, S.A.	0.11	1	-	-	1
		1,108	10	(23)	1,095

2010

	% Shareholding at 12/31/10	Thousands of euros Balance at 12/31/09	Profit (loss) for the year	Other	Balance at 12/31/10
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	0.09	1	-	-	1
Renta 4 Guipúzcoa, S.A.	85.00	1,041	(27)	43	1,057
Renta 4 Inversiones de Valladolid, S.A.	1.01	8	-	-	8
Renta 4 Lérida, S.A.	18.34	16	-	-	16
Renta 4, Sociedad de Valores, S.A.	0.01	4	1	(1)	4
Rentsegur Correduría de Seguros, S.A.	27.50	21	1	(1)	21
Renta 4 Equities, S.A.	0.11	-	1	-	1
		1,091	(24)	41	1,108

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 2011 and 2010 is shown in the table below:

	Thousands of euros	
	2011	2010
Financial guarantees	3,500	-
	3,500	-

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 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Loan commitments	1,654	2,470
	1,654	2,470

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 2011 and 2010 (indicating the related limits and amounts pending drawdown) is provided below*:*

	Thousands of euros			
	2011		2010	
	Limit	Undrawn	Limit	Undrawn
Drawable by third parties				
By other resident sectors	10,431	1,654	14,385	2,470
	10,431	1,654	14,385	2,470

The average interest rate charged for extending commitments of this nature was 3-month Euribor plus a spread of 1.72% at December 31, 2011 (year-end 2010: 3-month Euribor + 2.14%).

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:

Company	Head Office
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 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 December 31, 2011 and 2010, the companies comprising the Group are open to inspection of all taxes levied during the past four years. The Company’s directors consider that no additional tax liabilities would arise from a potential tax inspection.

The breakdown of the income tax expense for 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Consolidated profit before taxes	6,600	8,413
30% tax rate	1,980	2,524
Adjustments to prior year income tax expense	58	(219)
Deductions	(77)	(75)
Adjustment of deferred taxes arising from change in tax rates	(5)	(44)
Effect of non-deductible/taxable items	56	217
Income tax expense	2,012	2,403
Adjustments to prior year income tax expense	(58)	(41)
Effect of deferred taxes	(51)	(127)
Other adjustments	(121)	(158)
Current tax payable	1,782	2,077
Withholdings and prepayments	(1,416)	(1,288)
Tax payable	366	789

In addition, taxes have been recognized with a charge/(credit) to equity, related to the valuation of available-for-sale financial assets of (603) and 477 thousand euros in 2011 and 2010, respectively.

Based on the tax returns filed by the Group and the estimates of tax payable for 2011, the Group has the following loss carryforwards that it may apply against future tax profits:

	Thousands of euros		
Year generated	2011	2010	Last year to apply
2009	85	85	2027
2005	1	1	2023
2004	408	409	2022
2003	1	10	2021
2002	1	1	2020
2001	23	30	2019
2000	34	34	2018
1999	4	4	2017
	557	574	

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 2011	Thousands of euros 2010
Current tax assets - VAT receivable		
VAT receivable from Spanish tax authorities	1,425	1,006
	1,425	1,006

Current tax liabilities	Thousands of euros 2011	Thousands of euros 2010
Current tax liabilities - Corporate income tax payable		
Corporate income tax payable to the Spanish tax authorities	366	789
Current tax liabilities - Other taxes payable		
Withholdings on unitholders in respect of UCIT redemptions	236	288
Personal Income Tax (IRPF for its initials in Spanish)	657	667
Business tax (IAE for its initials in Spanish)	10	40
Personal income tax withholdings, rentals	15	13
Personal income tax withholdings, dividends	650	872
	1,568	1,880
	1,934	2,669

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	Thousands of euros: Tax effect
2011		
Unrealized gains (losses) reserve for available-for-sale financial assets	2,110	633
Other	127	38
	2,237	671
2010		
Unrealized gains (losses) reserve for available-for-sale financial assets	4,017	1,204
Other	125	37
	4,142	1,241

Deferred tax liabilities	Thousands of euros: Temporary differences	Thousands of euros: Tax effect
2011		
Valuation for tax purposes of assets held under finance leases	4,147	1,244
Other	-	-
	4,147	1,244
2010		
Valuation for tax purposes of assets held under finance leases	3,877	1,163
Other	63	19
	3,940	1,182

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

	Thousands of euros			
	2011		2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance at January 1	1,241	1,182	777	1,082
Increases	11	95	522	114
Decreases	(581)	(33)	(58)	(14)
Balance at December 31	671	1,244	1.241	1,182

21. RELATED PARTIES

In 2011 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. In 2010 the Group considers as related parties key management personnel, i.e. members of the Board of Directors of the parent company, and members of senior management, namely three general managers and two members of the Board of Directors of Renta 4 Sociedad de Valores, S.A., and the companies owned by the directors of the parent company.

Balances and transactions with related parties

Balances with related parties in 2011 and 2010 were as follows:

	Thousands of euros				
	2011				
Income and expenses	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	Total
Leases	-	19	-	-	19
Services received	-	20	-	48	68
Expenses	-	39	-	48	87
Finance income	24	2	-	-	26
Services rendered	15	149	-	-	164
Income	39	151	-	-	190

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

	Thousands of euros				
	2011				
Other transactions	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	Total
Financing, loans and capital contribution agreements (borrower)	-	2,459	-	-	2,459
Amortization or cancelation of loans and borrowing facilities	-	12	-	-	12
Other transactions	51	2,392	-	4	2,447
Dividends paid	609	1,661	-	-	2,270
Guarantees and sureties (Note 10)	-	10,244	-	-	10,244

	Thousands of euros				
	2010				
Income and expenses	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	Total
Leases	-	19	-	-	19
Services received	-	-	-	48	48
Expenses	-	19	-	48	67
Finance income	107	1	-	-	108
Services rendered	-	107	-	-	107
Income	107	108	-	-	215

Other transactions	Thousand of euros 2010 Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties	Total
Financing, loans and capital contribution agreements (borrower)	-	3,084	-	-	3,084
Amortization or cancelation of loans and borrowing facilities	-	12	-	-	12
Other transactions	38	80	-	4	122
Dividends paid	1.142	3,263	-	-	4,405
Guarantees and sureties (note 10)	-	10,244	-	-	10,244

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

In addition, at December 31, 2011 securities belonging to related parties amounting to 56,595 thousand euros (December 31, 2010: 77,227 thousand euros) are deposited with the Group company Renta 4, S.A., S.V.

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:

2011	**Thousand of Euros** **Board of Directors**	**Board committees**	**Other compensation (*)**	**Total**
Board members				
GARCÍA MOLINA, FRANCISCO DE ASÍS	48	-	-	48
NAVARRO MARTÍNEZ, PEDRO ÁNGEL	60	-	-	60
FERRERAS DIEZ, PEDRO	60	-	-	60
TRUEBA CORTES, EDUARDO	60	-	-	60
RODRíGUEZ-SAHAGUN MARTÍNEZ SOFÍA	60	-	-	60
Total	**288**	**-**	**-**	**288**

2010	**Thousand of Euros** **Board of Directors**	**Board committees**	**Other compensation (*)**	**Total**
Board members				
GARCÍA MOLINA, FRANCISCO DE ASÍS	48	-	16	64
NAVARRO MARTÍNEZ, PEDRO ÁNGEL	60	-	16	76
PRIMO DE RIVERA, MIGUEL	-		16	
FERRERAS DIEZ, PEDRO	60	-	16	76
TRUEBA CORTES, EDUARDO	60	-	16	76
RODRÍGUEZ-SAHAGUN MARTÍNEZ SOFÍA	60	-	16	76
Total	**288**	**-**	**96**	**384**

(*) Includes remuneration in respect of the share-based payment plan.

Compensation of key management personnel

The compensation accrued by key management personnel is itemized below:

Concept	Thousands of euros	
	Directors	Senior managers
2011		
Wages and salaries (includes pension plan contributions)	905	175
Share-based payments (includes withholdings (IRPF) paid on account)	-	-
Total	905	175
2010		
Wages and salaries (includes pension plan contributions)	662	546
Share-based payments (includes withholdings (IRPF) paid on account)	42	36
Total	704	582

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 2011 was 53 thousand euros (2010: 64 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 2011 in this connection was 0.2 thousand euros (2010: 0.3 thousand euros).

Other information on directors

In compliance with articles 229 and 230 of the Spanish Corporate Enterprises Act, below is a list of conflicts of interest notified to the parent company by its directors.

The following table lists the direct and indirect ownership interests held by directors in companies whose business is identical, similar or complementary to that of the parent company, in keeping with article 231 of the Spanish Corporate Enterprises Act, along with the positions or duties they discharge at these companies:

Director	Company	% shareholding	Position
Juan Carlos Ureta Domingo	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.	-	Board member
	Renta Markets, S.A.	-	Board member
Jesús Sánchez – Quiñones González	Renta 4 Corporate, S.A.	-	Chairman / CEO
	Renta 4, S.V, S.A.	-	Board member
Miguel Primo de Rivera y Urquijo	Renta 4 Banco, S.A.	Less than 0.01%	Board member
	SCH Gestión de Carteras SGIIC, S.A.	-	Board member
Pedro Ferreras Díez	Banco Santander	Less than 0.01%	-
	Bankinter	Less than 0.01%	-
	BBVA	Less than 0.01%	-
	Banco Sabadell	Less than 0.01%	-
Sofía Rodríguez Sahagún	Renta 4 Banco, S.A.	0.05%	Board member
	Renta 4 Pensiones, SGFP, S.A.	-	Board member
Santiago González Enciso	Renta 4, S.V, S.A.	-	Board member
Juan Luis López García	Renta 4 Pensiones, SGFP, S.A.	-	Board member
	Renta 4 Markets, S.A.	-	Board member
Antonio de Arcos Barazal	Arcos Barazal, S.A.	94%	Board member
Mutualidad General de la Abogacía	Arcalia Private Equity, SCR de régimen simplificado, S.A.	10.81%	Board member

In addition, at December 31, 2011, the spouse and heirs of one of the Company's directors held the following investments in companies whose business is identical, similar or complementary to that of the parent company:

Director	Company	% shareholding	Position
Spouse of Antonio de Arcos Barazal	Arcos Barazal, S.A.	6%	Chairman

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	
	2011	2010
Interest and similar income		
Loans and advances to credit institutions	7,668	4,673
	7,668	4,673
Interest and similar expense		
Deposits from credit institutions	2,851	1,994
Customer deposits	1,211	445
	4,062	2,439
Gains/ (losses) on financial asset and liabilities (net)		
Held-for-trading	1,606	2,924
Available-for-sale financial assets	282	(115)
	1,888	2,809

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 2011 and 2010 is provided in the table below:

	Thousands of euros	
	2011	2010
Fee and commission income		
Securities services	38,998	34,977
Sale of non-banking financial products	1,744	1,401
Management of UCITs and pension funds	12,391	13,007
Other fees and commissions	2,084	2,896
	55,217	52,281
Fee and commission expense		
Paid to other entities and correspondent banks	16,529	15,884
Securities trading	3,068	2,252
	19,597	18,136

c) Other operating income and expense

The breakdown of "Other operating income" in the consolidated income statement heading in 2011 and 2010:

	Thousands of euros	
	2011	2010
Other products	405	253
	405	253

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

The breakdown of "Other operating expense" in 2011 and 2010:

	Thousands of euros	
	2011	2010
Other charges	86	61
Contribution to the Investment Guarantee Fund	570	570
	656	631

In 2011 and 2010, the Group contributed to the Investment Guarantee Fund. From 2012 on, it will contribute to the Deposit Guarantee Fund.

d) Personnel expenses

The breakdown of the balance of this heading in the accompanying consolidated income statement for the years ended December 31, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Wages and bonuses paid to current personnel	13,409	12,671
Employer social security contributions	2,594	2,484
Contributions to defined benefit plans	28	22
Contributions to defined contribution plans	131	140
Termination benefits	495	53
Training expenses	80	67
Share-based payments expense	-	142
Other employee benefits expense	(25)	13
	16,712	15,592

“Other employee benefits expense” includes the income or expense related to the financial effect of loans extended to employees to purchase shares of the parent company, which amounted to 59 and 27 thousand euros (income) in 2011 and 2010, respectively (note 4.p).

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

	Number of employees			
	Average		Year-end	
	Men	Women	Men	Women
Management personnel	13	-	13	-
Technicians	104	56	106	59
Administrative staff	86	41	86	40
	203	97	205	99

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 one corporate body.

e) Other general administrative expenses

The breakdown of this heading in the accompanying consolidated income statement for the years ended December 31, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Property, fixtures and equipment	3,021	2,715
IT	3,121	3,184
Communications	1,577	1,536
Advertising and publicity	1,217	693
Technical reports	1,238	1,109
Court and legal fees	686	459
Insurance and self-insurance premiums	185	168
Entertainment and employee travel expenses	882	831
Association membership fees	-	-
Outsourced administrative services	-	-
Levies and other contributions	607	323
Property tax	58	61
Other	549	262
Endowments	49	33
Other expenses	505	406
	13,088	11,457

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, 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Loans and advances to customers		
Allowances	(2,047)	(1,624)
Recoveries	604	605
	(1,443)	(1,019)
Available-for-sale financial assets	(1,433)	(1,581)
	(2,876)	(2,600)

23. ADDITIONAL INFORMATION

a) Fiduciary activities and investment services

The breakdown of off-balance sheet customer funds at year-end 2011 and 2010 (on a consolidated basis and eliminating overlap) is as follows:

	Thousands of euros	
	2011	2010
Mutual and pension funds	1,300,045	1,198,157
Discretionary portfolios under management	206,870	221,324
Funds managed by the Group	1,506,915	1,419,481
Investment funds and companies	205,896	283,120
Funds marketed but not managed by the Group	205,896	283,120
Total	1,712,811	1,702,601

The net fee and commission income generated by the management of the above-listed assets in 2011 and 2010 is shown below:

	Thousands of euros	
	2011	2010
Asset management fees	578	704
Fees and commissions generated by the marketing of non-banking financial products (note 22.d)	1,744	1,401
Fees from the management of UCITs and pension funds (note 22.d)	12,391	13,007
	14,713	15,112

In addition, the Group provides securities management and custodian services to its clients. The commitments assumed by the Group at year-end 2011 and 2010 in connection with this service are as follows:

	Thousands of euros	
	2011	2010
Securities owned by third parties		
Equity instruments	686,784	369,760
Debt instruments	4,905,955	4,797,975
	5,592,739	5,167,735

b) Branches

A list of Renta 4 Banco, S.A. branches in 2011 and 2010 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 fees paid to the main auditor for the review of the 2011 consolidated annual financial statements amounted to 125 thousand euros (2010: 125 thousand euros).

In addition, the fees paid during the 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 183 thousand euros (2010: €111 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 2011 and 2010, 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 14 complaints and claims in 2011 and 21 in 2010, all of which were accepted and processed. Of these, 93% and 67%, respectively, were ruled in favor of the Group.

The Group has no record of any claims lodged before the Bank of Spain or CNMV in either 2011 or 2010.

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 2011 or 2010.

i) Information on late payments to suppliers under Additional Provision Three of Law 15/2010 (July 5, 2010)

As required by Spanish Law 15/2010 of July 5, amending Law 3/2004 of December 29, establishing measures to tackle supplier non-payment, as enacted by the Resolution issued on December 29, 2010 by the Spanish Audit and Accounting Institute (ICAC) regarding financial statement disclosure requirements on the deferral of payment to trade suppliers, note that:

- In light of the Group's core business (financial services), the disclosures provided in this note relating to late payments correspond exclusively to payments made to suppliers for the provision of sundry goods and services to the Group's financial entities and to payments made to commercial suppliers by Group entities that carry out non-financial activities, as opposed to payments made to holders of deposits and securities issued by Group entities, which were made in all instances in strict compliance with the contractual and legal deadlines established case-by-case, regardless of whether they were liabilities payable on demand or featuring deferred payments.

- In relation to the disclosures required under Law 15/2010 regarding providers of trade goods and services to the Group, and in consideration of transitory provision two of the ICAC Resolution issued on December 29, 2010, the Group companies had no material balances pending payment to suppliers at year-end 2011 or 2010 that were past due by more than the stipulated settlement term.

j) 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 1,043 square meters in the building located at Paseo de la Habana 74, Madrid. This floor space will be devoted to the provision of investment and financial brokerage services in general. The sub-lessee has deposited 28,098 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.

24. EVENTS AFTER THE BALANCE SHEET DATE

On February 4, 2012 the Spanish administration published a financial sector reform act, Royal Decree-Law 2/2012, which establishes a range of measures designed to restore the financial health of the country's credit institutions, which have suffered hugely from the protracted international financial crisis, the scale of their exposure to real estate assets and a substantial increase in non-performing loans.

The aforementioned reforms include new provision and capital requirements intended to provide adequate coverage of the impairment caused by real estate assets, establishing a scale of provisioning requirements for all property loans and properties foreclosed or received in lieu of repayment. These provisioning and capital requirements must be met in the course of 2012 and reporting entities must present their compliance strategies with the Bank of Spain by March 31, 2012. Exceptionally, entities in the process of merging with another entity in the course of 2012 will be given an extra year to comply. Based on the estimates performed by the directors, this new regulation is not expected to have a material impact on the Group's future earnings performance or on its solvency.

On March 8, 2012, a promise to purchase shares and shareholder agreement (the "Promise Agreement") was signed by Inversiones Puerto Banuz Ltda., Inversiones Cartago Ltda. and Renta 4 Banco S.A. When the Promise Agreement closes, Renta 4 Banco, S.A., through its subsidiary Renta 4 Chile S.A., will become the indirect owner of 70% of K2 Corredores de Bolsa, S.A., a company that is overseen by the Chilean securities market regulator (the SVS for its acronym in Spanish).

The transaction committed to will be executed by means of a cash payment ($1,225,000) and two contingent and deferred payments in 2012 and 2013 ($525,000 in total), depending on fulfillment with the business plan projections in 2012 and 2013. The maximum amount of the upfront payment and earnouts is $1,750,000.

A price protection or adjustment scheme has also been agreed so that Renta 4 Banco, S.A. will pay less in the event that the results obtained by the acquiree in 2012 and 2013 are less than those agreed.

Notwithstanding the information set forth in these notes to the consolidated financial statements, between December 31, 2011 and March 21, 2012, the date on which these consolidated financial statements were authorized for issue by the Bank's Board of Directors, no significant event has occurred warranting disclosure in the accompanying consolidated financial statements to ensure fair presentation of the Group's equity, financial situation and performance.

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 equity investments in Group companies
at December 31, 2011

			% shareholding			Thousands of euros (*)			
Company	Head office	Line of business	Direct	Indirect	Total	Capital	Reserves	Unrealized gains (losses) reserve	Profit/ (loss)
Group companies									
Carterix, S.A.	Madrid	Computer and IT services	5	95	100	782	(36)	-	(9)
Renta 4 Aragón, S.A.	Madrid	Financial services	100	-	100	62	10	-	(1)
Sociedad de Estudios e Inversiones, S.A.	Benidorm	Financial services	-	100	100	42	(19)	-	(1)
Renta 4 Burgos, S.A.	Madrid	Financial services	100	-	100	35	11	-	(1)
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid	CIS management company	100	-	100	2,374	1,382	(62)	504
Renta 4 Guipúzcoa, S.A. (*)	San Sebastián	Financial services	-	15	15	60	1,111	49	9
Renta 4 Huesca, S.A.	Madrid	Financial services	100	-	100	3	(1)	-	-
Renta 4 Inversiones de Valladolid, S.A.	Madrid	Financial services	85	14	99	60	705	1	(18)
Renta 4 Lérida, S.A.	Madrid	Financial services	82	-	82	90	(4)	-	8
Renta 4 On Line, S.A.	Madrid	Financial services	99	-	99	15	(5)	-	(1)
Renta 4 Pensiones, E.G.F.P., S.A.	Madrid	Pension fund management	100	-	100	2,476	685	(8)	165
Renta 4, Sociedad de Valores, S.A.	Madrid	Stockbroking	100	-	100	3,148	11,372	(45)	525
Renta 4 Equities (antes Renta 4 Tarragona, S.A.)	Madrid	Financial services	-	100	100	15	385	3	114
Renta 4 Corporate, S.A.	Madrid	Advisory and consulting	100	-	100	92	63	-	(261)
Renta 4 Vizcaya, S.A.	Bilbao	Financial services	-	100	100	391	(364)	-	(1)
Rentsegur, Correduría de Seguros, S.A.	Madrid	Insurance brokerage	-	72	72	75	(41)	-	1
Padinco Patrimonios, S.A.	Madrid	Financial services	100	-	100	105	68	1	19
RENTA 4 INVESTMENT FUND PLC	Ireland	CIS management company		100	100	300	-	-	(105)
RENTA 4 CHILE PLC	Chile	Financial services	100		100	308	-	-	(109)
Associate									
Renta Markets, S.A.	Madrid	Financial services	35	-	35	3,910	1,031	65	899

This appendix forms an integral part of note 3 of the notes to the consolidated financial statements, with which it should be read.

(*) Although the Renta 4 Group's percentage of ownership interest in this company would not grant it the majority of voting rights, Renta 4 Guipúzcoa, S.A. performs commercial representation activities for the Renta 4 Group as part of its own line of business. Consequently, all of Renta 4 Guipúzcoa's revenue is generated from commissions paid to it by Renta 4 for the business Renta 4 Guipúzcoa procures for the Group. Therefore, Renta 4 considers that its relationship with Renta 4 Guipúzcoa, S.A. enables it to control its financial and operating policies (IAS 27.13) and thus it is accounted for using the equity method.

RENTA 4 BANCO, S.A. AND SUBSIDIARIES
Detail of equity investments in Group companies
at December 31, 2010

Company	Head office	Line of business	% shareholding Direct	Indirect	Total	Thousands of euros (*) Capital	Reserves	Unrealized gains (losses) reserve	Profit/ (loss)	
Group companies										
Carterix, S.A.	Madrid	Computer and IT services	5.00	94.92	99.92	782	(22)	-	(14)	
Renta 4 Aragón, S.A.	Madrid	Financial services	99.96	-	99.96	62	10	-	-	
Sociedad de Estudios e Inversiones, S.A.	Benidorm	Financial services	-	99.99	99.99	42	(19)	-	-	
Renta 4 Burgos, S.A.	Madrid	Financial services	99.97	-	99.97	35	11	-	-	
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid	CIS management company	99.99	-	99.99	2.374	1.351	(76)	31	(**)
Renta 4 Guipúzcoa, S.A. (*)	San Sebastián	Financial services	-	15.00	15.00	60	1.143	72	(31)	
Renta 4 Huesca, S.A.	Madrid	Financial services	99.94	-	99.94	3	(1)	-	-	
Renta 4 Inversiones de Valladolid, S.A.	Madrid	Advisory and consulting	85.00	14.00	99.00	60	707	-	(2)	
Renta 4 Lérida, S.A.	Madrid	Advisory and consulting	81.66	-	81.66	90	(2)	-	(2)	
Renta 4 On Line, S.A.	Madrid	Financial services	99.00	-	99.00	(15)	(15)	-	-	
Renta 4 Pensiones, E.G.F.P., S.A.	Madrid	Pension fund management	99.99	-	99.99	2.476	628	(2)	57	
Renta 4, Sociedad de Valores, S.A.	Madrid	Stockbroking	99.99	-	99.99	6.105	20.965	(351)	1,081	(**)
Renta 4 Equities (antes Renta 4 Tarragona, S.A.)	Madrid	Financial services	-	99.89	99.89	15	(97)	-	482	
Renta 4 Corporate, S.A.	Madrid	Advisory and consulting	100.00	-	100.00	92	5	-	58	
Renta 4 Vizcaya, S.A.	Bilbao	Financial services	-	99.99	99.99	391	(364)	-	-	
Rentsegur, Correduría de Seguros, S.A.	Madrid	Insurance brokerage	-	72.49	72.49	75	(46)	-	4	
Padinco Patrimonios, S.A.	Madrid	Dormant	100.00	-	100.00	105	69	-	(1)	
Associate										
Renta Markets, S.A.	Madrid	Financial services	34.99	-	34.99	60	(21)	-	1,053	

This appendix forms an integral part of note 3 of the notes to the consolidated financial statements, with which it should be read.

(*) Although the Renta 4 Group's percentage of ownership interest in this company would not grant it the majority of voting rights, Renta 4 Guipúzcoa, S.A. performs commercial representation activities for the Renta 4 Group as part of its own line of business. Consequently, all of Renta 4 Guipúzcoa's revenue is generated from commissions paid to it by Renta 4 for the business Renta 4 Guipúzcoa procures for the Group. Therefore, Renta 4 considers that its relationship with Renta 4 Guipúzcoa, S.A. enables it to control its financial and operating policies (IAS 27.13) and thus it is accounted for using the equity method.

(**) This item was recognized as an interim dividend.

RENTA 4 BANCO, S.A.
AND SUBSIDIARIES

List of the branches at
at December 31, 2011

C/ Teresa Herrera, 8 bajo A Coruña
Plaza de Gabriel Lodares nº 4 Bajo Albacete
Avda. Federico Soto 22 Entlo. Derecha Alicante
Pº de Almería, 81 1º izda Almería
Pza. de Santa Teresa, 14, 2º Puertas 1 y 2 Ávila
C/ Ronda del Pilar, nº 2, bajo Izquierda Badajoz
Pº de Gracia, 77, pl. principal Barcelona
C/ Marqués del Puerto, 6 - 1º Bilbao
Avenida de la Paz 3, bajo Burgos
C/ San Pedro de Alcántara 2, plta 1ª, of. 2 Cáceres
Avda. Cayetano del Toro, nº 27 Cádiz
C/ Juan de Herrera 2 Entlo Santander
Plaza de la Paz, nº 5 - Entresuelo Castellón
C/ Ramón y Cajal, 5 1ºA Ciudad Real
Ronda de Tejares, 6, of. 6 Córdoba
C/ Cervantes, 2, 1º Cuenca
C/ Colón, 45 piso 1º pta. 1ª edif..Joen Cullera
C/ Hospital, 5 Elche
C/ Valencia, 6 -local 4 Fuenlabrada
C/ Migdia, 37 Girona
Pza. Isabel la Católica, 1, plta. 4, ofic. 4 Granada
C/ Muelle Las Palmas, 6 Las Palmas de Gran Canaria
Pza. de Santo Domingo, 1 - 1ºD Guadalajara
Pº Santa Fe, 1 Entreplanta Huelva
C/ Cavia, 8 bajo Huesca
Avda. de Madrid, 56 B, 1ºA Jaén
Avda. Rafael González Negrín, 17 1º B Arrecife
C/ Ordoño II, 11 - 1º León
Rambla Ferrán, 45 Lleida
C/ Vara de Rey, 24 Logroño
Rúa Montevideo, 7 - Bajo Lugo
Pº de la Habana 74, Madrid
C/ Huescar nº2, Local 6 Málaga
Pº de Mallorca, 32 Entlo Palma
PZA. DE LA AURORA, 5 Murcia
C/ Progreso, 127 Ourense
C/ General Yagüe, 1 (Conde de Toreno) Oviedo
C/ Ignacio Martínez de Azcoitia 5 Palencia
Paseo de Sarasate, 16 Pamplona
C/ Toro, 76 – 1º Salamanca
Calle Vilarrubias, Nº 9 Sabadell
Avda. Fernández Ladreda, 11, 1ºA Segovia
Avda. de la Buhaira, nº 11 Sevilla
C/ Collado, 15-1ºA y B Soria
Rambla Nova, 90 Tarragona
C/ Arquímedes, 156 Barcelona
C/ San Clemente, 24, 1º A Santa Cruz de Tenerife
C/ Ramón y Cajal, 12 Bajo Teruel
C/ Roma, nº 3, Bajo Toledo
C/ Colón, 31 - 1º Pta. 3ª Valencia
Pza. de Santa Ana 2 – 2º B y C Valladolid
C/ Progreso, 38 Vigo
C/ Florida, nº 18, bajo Vitoria
C/ Flores de San Torcuato, Nº 14 Zamora
Pº de la Independencia 4, pral. A dcha. Zaragoza

This appendix is an integral part of note 19 of the notes to the accompanying consolidated financial statements, with which it should be read.

RENTA 4 BANCO, S.A.
AND SUBSIDIARIES

List of the Branches at
December 31, 2010

C/ TERESA HERRERA, 8 BAJO 15004 A CORUÑA (A CORUÑA)
PLAZA DE GABRIEL LODARES Nº 4 BAJO 2002 ALBACETE (ALBACETE)
AVDA. FEDERICO SOTO 22 ENTLO. DERECHA 3001 ALICANTE (ALICANTE)
Pº DE ALMERÍA, 81 1º IZDA 4001 ALMERÍA (ALMERÍA)
PZA. DE SANTA TERESA, 14, 2º PUERTAS 1 Y 2 5001 ÁVILA (ÁVILA)
C/ RONDA DEL PILAR, Nº 2, BAJO IZQUIERDA 6002 BADAJOZ (BADAJOZ)
Pº DE GRACIA, 77, PL. PRINCIPAL 8008 BARCELONA (BARCELONA)
C/ MARQUÉS DEL PUERTO, 6 - 1º 48009 BILBAO (BILBAO)
AVENIDA DE LA PAZ 3, BAJO 9004 BURGOS (BURGOS)
C/ SAN PEDRO DE ALCÁNTARA 2, PLTA 1ª, OF. 2 10001 CÁCERES (CÁCERES)
AVDA. CAYETANO DEL TORO, Nº 27 11010 CÁDIZ (CÁDIZ)
C/ JUAN DE HERRERA 2 ENTLO 39002 SANTANDER (CANTABRIA)
PLAZA DE LA PAZ, Nº 5 - ENTRESUELO 12001 CASTELLÓN (CASTELLÓN)
C/ RAMÓN Y CAJAL, 5 1ºA 13001 CIUDAD REAL (CIUDAD REAL)
RONDA DE TEJARES, 6, OF. 6 14001 CÓRDOBA (CÓRDOBA)
C/ CERVANTES, 2, 1º 16004 CUENCA (CUENCA)
C/ COLÓN, 45 PISO 1º PTA 1ª EDIF.JOEN 46400 CULLERA (CULLERA)
C/ HOSPITAL, 5 3203 ELCHE (ELCHE)
C/ MIGDIA, 37 17002 GIRONA (GIRONA)
AVDA. RAFAEL CABRERA, 1, 1ª PL. OFIC.8 35002 LAS PALMAS DE GRAN CANARIA (GRAN CANARIA)
PZA. ISABEL LA CATÓLICA, 1, PLTA.4, OFIC.4 18009 GRANADA (GRANADA)
PZA. DE SANTO DOMINGO, 1 - 1ºD 19001 GUADALAJARA (GUADALAJARA)
Pº SANTA FE, 1 ENTREPLANTA 21003 HUELVA (HUELVA)
C/ CAVIA, 8 BAJO 22005 HUESCA (HUESCA)
AVDA. DE MADRID, 56 B, 1ºA 23008 JAÉN (JAÉN)
AVDA. RAFAEL GONZÁLEZ NEGRÍN, 17 1º B 35500 ARRECIFE (LANZAROTE)
C/ ORDOÑO II, 11 - 1º 24001 LEÓN (LEÓN)
RAMBLA FERRÁN, 45 25007 LLEIDA (LLEIDA)
C/ VARA DE REY, 24 26002 LOGROÑO (LOGROÑO)
RÚA MONTEVIDEO, 7 - BAJO 27001 LUGO (LUGO)
Pº DE LA HABANA 74, 28036 MADRID (MADRID)
C/ VALENCIA, 6 -LOCAL 4 28945 FUENLABRADA, MADRID (MADRID SUR)
PZA. CONSTITUCIÓN, 2 – 4º 29005 MÁLAGA (MÁLAGA)
Pº DE MALLORCA, 32 ENTLO 7012 PALMA (MALLORCA)
PZA. DE LA AURORA, 5 30001 MURCIA (MURCIA)
C/ PROGRESO, 127 32003 OURENSE (ORENSE)
C/ PELAYO, 4 - 2ºB, EDF. JIRAFA 33003 OVIEDO (OVIEDO)
C/ IGNACIO MARTÍNEZ DE AZCOITIA 5 34001 PALENCIA (PALENCIA)
PASEO DE SARASATE, 16 31001 PAMPLONA (PAMPLONA)
CALLE VILARRUBIAS, Nº 9 8208 SABADELL, BARCELONA (SABADELL)
C/ TORO, 76 – 1º 37002 SALAMANCA (SALAMANCA)
AVDA. FERNÁNDEZ LADREDA, 11, 1ºA 40001 SEGOVIA (SEGOVIA)
C/ CAMPANA, 6, 3ºIZQ 41002 SEVILLA (SEVILLA)
C/ COLLADO, 15-1ºA Y B 42002 SORIA (SORIA)
RAMBLA NOVA, 90 ENTLO A 43001 TARRAGONA (TARRAGONA)
C/ SAN CLEMENTE, 24, 1º A 38002 SANTA CRUZ DE TENERIFE (TENERIFE)
C/ MAYOR, 40 8221 BARCELONA (TERRASSA)
C/ RAMÓN Y CAJAL, 12 BAJO 44001 TERUEL (TERUEL)
C/ ROMA, Nº 3, BAJO 45003 TOLEDO (TOLEDO)
C/ COLÓN, 31 - 1º PTA. 3ª 46004 VALENCIA (VALENCIA)
PZA. DE SANTA ANA 2 – 2º B Y C 47001 VALLADOLID (VALLADOLID)
C/ PROGRESO, 38 36202 VIGO (VIGO)
C/ FLORIDA, Nº 18, BAJO 1005 VITORIA (VITORIA)
C/ FLORES DE SAN TORCUATO, Nº 14 49014 ZAMORA (ZAMORA)
Pº DE LA INDEPENDENCIA 4, PRAL. A DCHA. 50004 ZARAGOZA (ZARAGOZA)

This appendix is an integral part of note 19 of the notes to the accompanying consolidated financial statements, with which it should be read.

RENTA 4 BANCO, S.A.
AND SUBSIDIARIES

List of Agents at
December 31, 2011

ACCURATE ADVISORS, S.L.
AES GESTIÓ DE PATRIMONIS, S.L
AGUIRRE BASSET ALFONSO
ALBAJAR GIMÉNEZ, MANUEL
ARBITRAGE FINANZAS, S.L.
ARCOS BARAZAL, S.A.
BABALITA, S.A.
BAUCISA SISTEMAS, S.L
BIGSPIN INTERNATIONAL TRADE, S.L.
BORRAS-VÁZQUEZ-CAMESELLE-ARTAI CORREDURÍA DE SEGUROS, S.A.
BOSS ESTUDIO EMPRESARIAL, S.L.
CENTENNIAL SERVICIOS COMERCIALES
DARWIN SYSTEMS, S.L.
DE LA FUENTE ARTEAGA JORGE
DRACMA FINANZAS, S.L.
ECHEVARRÍA BARBERENA, MERCEDES
FORET USSIA, JOSÉ LUIS
GALLEGO HEREDERO, PEDRO
GALLO LÓPEZ FÉLIX ALFONSO
INFORMADSA FINANCIEROS, S.L.
KRATSCHMER , IVO
LAJAC S.A.
LÉRIDA TURBIARAN JOSÉ ANTONIO
LÓPEZ LÓPEZ, ANTONIO CEFERINO
LÓPEZ MIGUEZ, ANTONIO
MÉNDEZ GONZÁLEZ RAQUEL
MISUIN GESTIÓN, S.L.
MORENO PÉREZ VÍCTOR
MUÑOZ CÓRDOBA, CARLOS
NUEVA PRIDERA S.L.
PASCUAL BALLESTEROS, JULIO MANUEL
PRIMO DE RIVERA ORIOL FERNANDO
RENPROA SL
RENTA 4 GUIPÚZCOA S.A.
RENTA MARKETS, S.A.
RIVERA CASTILLEJO, MIGUEL
SANFELIU CARRASCO, MARÍA DEL MAR
SOFABOYCO, S.L.
SOLO 747, S.L.
VEGA-HAZAS JUAN MARÍA
VINDEL BERENGUEL, LUIS MIGUEL
YIDOSA, S.A.

This appendix is an integral part of note 19 of the notes to the accompanying consolidated financial statements, with which it should be read.

RENTA 4 BANCO, S.A.
AND SUBSIDIARIES

List of Agents at
December 31, 2010

ACCURATE ADVISORS, S.L.
AES GESTIO DE PATRIMONIS, S.L
AGUIRRE BASSET, ALFONSO
ALBAJAR GIMÉNEZ, MANUEL
ARBITRAGE FINANZAS, S.L.
ARCOS BARAZAL SA
ARENILLAS LORENTE, JAIME
BABALITA, S.L.
BAUCISA SISTEMAS, S.L.
BIGSPIN INTERNATIONAL TRADE, S.L.
BORRAS-VÁZQUEZ-CAMESELLE-ARTAI CORREDURÍA DE SEGUROS, S.A.
BOSS ESTUDIO EMPRESARIAL, S.L.
CENTENNIAL SERVICIOS COMERCIALES Y ASESORAMIENTO SL
DARWIN SYSTEMS, S.L.
DE LA FUENTE ARTEAGA, JORGE
DRACMA FINANZAS, S.L.
ECHEVARRÍA BARBERENA, MERCEDES
FORET USSÍA, JOSÉ LUIS
GALLEGO HEREDERO, PEDRO
GALLO LÓPEZ, FÉLIX ALFONSO
HORIZON CAPITAL, S.L.
INFORMADSA FINANCIEROS, S.L.
JOFRE TEJADA, DAVID
KRATSCHMER, IVO
LAJAC SA
LÉRIDA TURABIAN, JOSÉ ANTONIO
LÓPEZ LÓPEZ, ANTONIO CEFERINO
LÓPEZ MÍNGUEZ, ANTONIO
MISUIN GESTIÓN, S.L.
MORENO PÉREZ, VÍCTOR
NUEVA PRIDERA, S.L.
PASCUAL BALLESTEROS, JULIO MANUEL
PRIMO DE RIVERA ORIOL, FERNANDO
RENPROA SL
RENTA 4 EQUITIES, S.A.
RENTA 4 GUIPÚZCOA SA
RENTA MARKETS, S.A.
RIVERA CASTILLEJO, MIGUEL
SANFELIU CARRASCO, MARÍA DEL MAR
SOFABOYCO, S.L.
SOLO 747, S.L.
VARGAS ESCOBAR, RAFAEL
VEGA-HAZAS PORRÚA, JUAN MARÍA
VINDEL BERENGUEL, LUIS MIGUEL
YIDOSA, S.A.

This appendix is an integral part of note 19 of the notes to the accompanying consolidated financial statements, with which it should be read.

Renta 4 Banco, S.A.

Balance sheet at December 31

<u>A S S E T S</u>	Thousands of euros 2011	2010
Cash and balances with central banks	**97**	**-**
Financial assets held for trading	**1,980**	**15**
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt securities	1,891	-
Equity instruments	14	15
Trading derivatives	75	-
Memorandum item: Loaned or advanced as collateral	-	-
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	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Available-for-sale financial assets	**24,690**	**20,683**
Debt securities	11,851	10,870
Equity instruments	12,839	9,813
Memorandum item: Loaned or advanced as collateral	*11,158*	*8,720*
Loans and receivables	**387,547**	**6,900**
Loans and advances to credit institutions	328,389	491
Loans and advances to customers	59,158	6,409
Debt securities	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Held-to-maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
Hedging derivatives	-	-
Non-current assets held for sale	-	-
Investments	**24,821**	**32,445**
Associates	1,361	13
Jointly controlled entities	-	-
Group companies	23,460	31,432
Insurance contracts linked to pensions		-
Property and equipment	**25,648**	**20,403**
Property and equipment	25,648	20,403
For own use	25,648	20,403
Leased out on operating lease	-	-
Assigned to welfare projects	-	-
Investment properties	-	-
Memorandum item: Acquired under finance leases	*15,376*	*15,694*
Intangible assets	**7,521**	**90**
Goodwill	6,352	-
Other intangible assets	1,169	90
Tax assets	**1,986**	**2,137**
Current	1,373	1,087
Deferred	613	1,050
Other assets	**1,000**	**536**
TOTAL ASSETS	**475,290**	**83,209**

Renta 4 Banco, S.A.

Balance sheet at December 31

	Thousands of euros	
LIABILITIES	2011	2010
Financial liabilities held for trading	**64**	**128**
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates including bonds	-	-
Trading derivatives	64	128
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates including bonds	-	-
Financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates including bonds	-	-
Financial liabilities at amortized cost	**415,790**	**32,698**
Deposits from central banks	-	-
Deposits from credit institutions	46,173	31,966
Customer deposits	298,476	127
Debt certificates including bonds	23,605	-
Subordinated liabilities	-	-
Other financial liabilities	47,536	605
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	**250**	**250**
Provisions for pensions and similar obligations	-	-
Provisions for tax and other legal contingencies	250	250
Provisions for contingent exposures and commitments	-	-
Other provisions	-	-
Tax liabilities	**1,889**	**2,476**
Current	975	1,638
Deferred	914	838
Welfare fund	-	-
Other liabilities	**31**	**-**
Capital having the substance of a financial liability	-	-
TOTAL LIABILITIES	**418,024**	**35,552**

Renta 4 Banco, S.A.

Balance sheet at December 31

	Thousands of euros 2011	2010
EQUITY		
Valuation adjustments	**(1,368)**	**(1,572)**
Available-for-sale financial assets	(1,368)	(1,572)
Financial liabilities at fair value through profit or loss	-	-
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
. Non-current assets held for sale	-	-
Own funds	**58,634**	**49,229**
Capital or endowment fund		-
Issued capital	18,312	16,277
Less: Uncalled capital	-	-
Share premium	25,153	27,188
Reserves	23,671	16,890
Retained earnings	-	-
Other	-	-
Other equity instruments	1,819	31
Equity component of compound financial instruments	1,708	-
Other equity instruments	111	31
Less: Treasury shares	(12,470)	(15,735)
Non-voting equity units and associated funds (savings banks)	-	-
Non-voting equity units	-	-
Reserves of holders of non-voting equity units	-	-
Stabilization fund	-	-
Profit for the year	4,061	8,333
Less: Dividends and remuneration	(1,912)	(3,755)
TOTAL EQUITY	**57,266**	**47,657**
TOTAL EQUITY AND LIABILITIES	**475,290**	**83,209**

MEMORANDUM ITEMS

	2011	2010
Contingent exposures	**3,500**	**-**
Contingent commitments	**1,654**	**-**
	5,154	**-**

Renta 4 Banco, S. A.

Income statement for the years ended December 31

	Thousands of euros	
	2011	2010
Interest and similar income	**7,577**	**13**
Interest and similar expense	**(4,081)**	**(1,057)**
Interest on capital repayable on demand	**-**	**-**
NET INTEREST INCOME	**3,496**	**(1,044)**
Returns on equity instruments	**396**	**12,679**
Fee and commission income	**32,235**	**1,825**
Fee and commission expenses	**(8,200)**	**-**
Gains / (losses) on financial assets and liabilities (net)	**3,614**	**(521)**
Financial assets and liabilities held for trading	3,339	796
Other financial instruments measured at fair value through profit or loss	-	-
Other financial instruments not measured at fair value through profit or loss	275	(1,317)
Other	-	-
Exchange differences (net)	**1,116**	**-**
Other operating income	**659**	**552**
Other operating expense	**(68)**	
GROSS MARGIN	**33,248**	**13,491**
Personnel expenses	**(12,313)**	**(2,220)**
Other administrative expenses	**(10,860)**	**(2,518)**
Depreciation and amortization	**(2,139)**	**(1,067)**
Property and equipment	(1,732)	(989)
Intangible assets	(407)	(78)
Provision expense (net)		
Impairment losses (net) on financial assets	**(1,925)**	**(1,151)**
Loans and receivables	(1,400)	(614)
Other financial instruments not measured at fair value through profit or loss	(525)	(537)
OPERATING PROFIT	**6,011**	**6,535**
Impairment losses (net) on other assets	-	-
Goodwill and other intangible assets	-	-
Other assets	-	-
Gains / (Losses) on disposal of assets not classified as non-current assets held for sale	-	-
Negative difference on business combinations	-	-
Gains / (Losses) on non-current assets held for sale not classified as discontinued operations	-	-
PROFIT (LOSS) BEFORE TAX	**6,011**	**6,535**
Income tax	(1,950)	1,798
Mandatory transfer to welfare funds	-	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**4,061**	**8,333**
Profit (loss) from discontinued operations (net)	**-**	**-**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**4,061**	**8,333**
Basic earnings per share	0.11	0.22
Diluted earnings per share	0.11	0.22

Renta 4 Banco, S.A.

Statement of changes in equity for the year ended December 31,

	Thousands of euros	
	2011	2010
PROFIT FOR THE YEAR	**4,061**	**8,333**
OTHER RECOGNIZED INCOME AND EXPENSE	**205**	**(547)**
Available-for-sale financial assets	**293**	**(782)**
Valuation gains (losses)	242	(2,617)
Amounts transferred to income statement	51	1,835
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	(88)	235
TOTAL RECOGNIZED INCOME AND EXPENSE	**4,266**	**7,786**

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

	Thousands of euros 2011	Thousands of euros 2010
OPERATING ACTIVITIES	**59,874**	**(4,816)**
Profit for the year	**4,061**	**8,333**
Adjustments to obtain cash flows from operating activities	**8,076**	**(10,467)**
Depreciation and amortization	2,139	1,067
Other adjustments	5,937	(11,534)
Net increase / decrease in operating assets	**(331,835)**	**(8,620)**
Financial assets held-for-trading	(1,965)	5
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	(6,837)	(8,051)
Loans and advances	(322,721)	(904)
Other operating assets	(312)	330
Net increase / decrease in operating liabilities	**380,952**	**7,221**
Financial liabilities held-for-trading	(64)	-
Other financial liabilities at fair value through profit and loss	3,072	-
Financial liabilities at amortized cost	379,070	(2,938)
Available-for-sale financial assets	-	7,158
Other operating liabilities	(1,126)	3,001
Income tax receipts (payments)	**(1,380)**	**(1,283)**
INVESTING ACTIVITIES	**(10,405)**	**11,888**
Payments	**(11,155)**	**(863)**
Property and equipment	(2,169)	(452)
Intangible assets	(968)	(18)
Investments	(8,018)	(393)
Other business units	-	-
Non-current assets held for sale and associated liabilities	-	-
Held-to-maturity investments	-	-
Other payments related to investing activities	-	-
Collections	**750**	**12,751**
Property and equipment	354	-
Intangible assets	-	-
Investments	-	-
Other business units	-	-
Non-current assets held for sale and associated liabilities	-	-
Held-to-maturity investments	-	-
Other collections related to investing activities	396	12,751
FINANCING ACTIVITIES	**9,955**	**(7,419)**
Payments	**(27,455)**	**(21,101)**
Dividends	(3,827)	(3,770)
Subordinated liabilities		
Redemption of own equity instruments		
Acquisition of own equity instruments	(1,056)	(3,456)
Other payments related to financing activities	(22,572)	(13,875)
Collections	**37,410**	**13,682**
Subordinated liabilities		
Issuance of own equity instruments	25,000	
Disposal of own equity instruments	4,410	320
Other collections related to financing activities	8,000	13,362
EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**59,424**	**(347)**
Cash and cash equivalents at beginning of period	**491**	**838**
Cash and cash equivalents at end of period	**59,915**	**491**

	2011	2010
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	**59,915**	**491**
Cash	47	-
Cash equivalents at central banks	50	-
Other financial assets	59,818	491
Less: Overdrafts repayable on demand	**-**	**-**

RENTA 4 BANCO, S.A. AND SUBSIDIARIES

Management Report

for the year ended

December 31, 2011

1. Economic environment and financial markets

Following a global economic recovery in 2010, with GDP growth reaching 4.1%, momentum petered out in 2011, prompting cuts in growth forecasts for 2011 and 2012.

The European sovereign debt crisis was almost single-handedly responsible for the slowdown in global growth. What started as a crisis centered on Greece spread to Ireland and Portugal, both of which were forced to ask the European Union for bailout funds to finance their public deficits. However, the European sovereign debt crisis took a turn for the worse as Spain and Italy saw their borrowing costs spiral to levels that deemed unsustainable medium term.

The pace of growth across the US, Europe and the emerging markets remains uneven. Eurozone and US GDP growth fell short of 2% in 2011, while the emerging economies posted growth of over 5%. The US economy demonstrated greater resilience, with consumer spending recovering somewhat and the labor market stabilizing (beginning to show some signs of improvement, but remaining sluggish). In Europe, meanwhile, the sovereign debt crisis undermined growth. Lastly, the emerging economies continue to register solid growth, albeit slower than in prior years.

The central banks continued to take measures to prop up growth, taking advantage of the fact that inflation remains in check. In the US, the Federal Reserve launched Operation Twist when its QE2 program came to a close in June, while the Bank of England expanded its asset buyback program to £275 billion; both authorities left rates unchanged at ultra low levels that are expected to remain in place for all of 2012. The ECB, meanwhile, see-sawed: in 1H11, under Trichet’s regime, the European authority raised rates twice (in April and June) to 1.5%, while in 2H11, with Mario Draghi holding the reigns, the central bank cut rates by 50bps and has left the door open to further rate cuts in 2012 in order to prioritize growth.

Some emerging markets moved to cut rates (such as Brazil Turkey, Indonesia, South Africa and Israel) in an attempt to curtail the adverse effects on growth of the slowdown in the developed economies. However, other emerging economies such as China, India and Colombia applied restrictive monetary policies in a bid to combat high inflation rates.

Heightened uncertainty regarding the state of Europe’s public finances meant that 2011 ended with very significant widening of sovereign spreads with respect to the German benchmark and a string of high-profile ratings downgrades (with Spain, Italy, France and the US losing their AAA ratings and Greece, Portugal and Ireland downgraded to high yield status).

In 2012 we expect the global economy to continue to slow, specifically from growth of 3.2% in 2011 to 2.7% in 2012, undermined principally by the prospect of recession in the eurozone where GDP is expected to contract by 1%.

Spain is likely to be one of the biggest contributors to regional recession. The budget cuts, tax hikes and high levels of unemployment foreshadow an extremely tough year on the economic front. There are no easy solutions and the structural reforms being undertaken by the government in the labor market and financial system are unlikely to bear fruit short term.

The only tool available to eurozone governments to stimulate growth is fiscal policy and here their hands are tied by the excesses of the past which prevent them from increasing public expenditure; to the contrary, they are being forced to adopt austerity measures that will only deepen and lengthen the recession.

2. Sector trends

The equity markets mirrored the sovereign debt concerns, with the main European indices correcting by more than 10%; investor sentiment in the US was stronger, which translated into a year of largely sideways trading. The flight of global investors from eurozone assets was particularly evident in the second half of the year, with European equities correcting at a greater pace.

The European Central Bank took extraordinary measures in December 2011 with a view to easing the European banks' funding requirements, providing them with unlimited 3-year liquidity at a rate of 1%, adding to the ECB’s balance sheet very significantly.

The risk premium is one of the most subjective measures of the state of economies and their companies. Nevertheless, it is obvious that the risk premiums on European assets are reaching record levels. Against this backdrop, the reduction of this indicator by means of ECB liquidity injections and scrupulous budgetary control on the part of eurozone member states may well unleash a stock market rally.

3. Renta 4’s performance - Highlights

Renta 4 generated net profit of 4.6 million euros in 2011, a year-on-year decline of 23.7%, largely due to one-off expenses incurred to transform Renta 4 into a bank; these expenses, totaling 1.5 million euros, are included within administrative expenses.

Net interest income rose by 61.4% year-on-year to 3.6 million euros.

Gross fee and commission income rose by 5.6% in 2011 (to 56.3 million euros, including exchange differences), while net fee and commission income climbed 4.3% higher year-on-year (to 36.7 million euros).

Net trading income (net gains on financial assets and liabilities) amounted to 2.3 million euros, a year-on-year decline of 29.7%.

The gross margin rose by 3.6%.

In the fourth quarter of 2011, the net interest margin registered growth of 25.5% year-on-year, fee and commission income, growth of 8.2%, the gross margin, an increase of 14.5% and profit for the period, growth of 9.7%

Renta 4 ended 2011 with 179,311 clients, an all-time record for the company.

In 2011 Renta 4 concluded all the steps needed to initiate its banking business from January 1, 2012.

In addition, Renta 4 incorporated a new asset management company, Renta 4 Investment Funds PLC, in Dublin, Ireland, in order to facilitate international marketing of its funds and investment vehicles. Along this same vein, distribution agreements were signed in France and Germany in the course of 2011.

Lastly, Renta 4 opened an office in Santiago de Chile with a view to starting up business in Latin America shortly.

Key indicators

Business indicators	2011	2010	*% Change*
No. of clients	**179,311**	**156,183**	14.8%
Proprietary network	48,574	46,365	4.8%
Third-party network	130,737	109,818	19.0%
Financial indicators *(thousands of euros)*			
Fee and commission income	55,217	52,281	5.6%
Net interest income	3,606	2,234	61.4%
Gains / (losses) on financial assets and liabilities (net)	1,888	2,809	-32.8%
Operating expense	32,177	29,374	9.0%
Gross margin	41,843	40,387	3.6%
Operating profit	6,600	8,413	-21.6%
Profit for the year	4,588	6,010	-23.7%
EPS	0.12	0.16	-25.0%
Employees			
Headcount at year end	300	304	-1.3%
Retail network	163	157	3.8%
Central services:	137	133	3.0%
No. of branches	55	55	0%
The shares			
Ticker (Reuters/Bloomberg/ADRs)	RTA4.MA	RTA4.MA	RSVXY
Share price *(€)*	5.02	4.90	2.4%
Market cap *(€)*	204,279,879	199,396,695	2.4%
No. of shares outstanding	40,693,203	40,693,203	

In 2011 the Group continued to drive sustained growth in its key business metrics, particularly client numbers and the net asset intake across the various asset classes.

The pace of new client wins remained satisfactory: the customer base at year-end 2011 stood at 179,311, marking year-on-year growth of 14.8%. Of the total, 48,574 (+4.8%) belonged to the proprietary network and 130,737 (+19%) to the third-party network.

Profit for the year amounted to 4.6 million euros, compared to 6 million euros in 2010 (a decline of 23.7%). This decline is mainly attributable to the expenses incurred to get the bank up and running and IT upgrades; these expenses are included within “Administrative expenses” in the accompanying consolidated income statement.

“Fee and commission income” rose 5.6% to 55.2 million. On a net basis, excluding fees and commissions paid to third parties, this heading registered growth of 4.3% (to 35.6 million euros). This should be grossed up by net exchange gains of 1.1 million euros in 2011, compared to 1 million euros the year before. The 8.1% increase in fee and commission expense was shaped mainly by higher trading volumes by our clients in international markets in the brokerage business.

“Net interest income” jumped 61% year-on-year to 3.6 million euros.

Operating expenses totaled 29.8 million euros, year-on-year growth of 10.2% (from 27.0 million euros), driven mainly by the adaptation of the Group’s systems and procedures to cater to those of a bank and the start-up of new business lines.

“Personnel expenses” were 7.2% higher, at 16.7 million euros.

“Other administrative expenses”, meanwhile, registered growth of 14.2% to 13.1 million euros (2010: 11.5 million). This reflects expenses incurred to meet the requirements of operating as a bank, new business developments ongoing in the IT area and investments made in several branches which moved office and therefore required fresh kitting out.

Lastly, “Depreciation and amortization” was virtually flat year-on-year, inching just 2.2% higher to 2.4 million euros.

4. Business outlook

The prevailing market environment suggests that 2012 will remain a challenging year.

Against this backdrop, we expect continued growth in volumes and profits, driven by the new banking business, the new business lines and that fact that the Group is starting the year with a higher balance of assets under management than the year before.

Renta 4 Banco presents a solvency ratio of 17%, twice the minimum required under European regulations.

Renta 4 views the year underway as its year of international expansion. To this end, its newly-incorporated asset management company, Renta 4 Investment Funds PLC, in Dublin, Ireland, intended to facilitate international marketing of its funds and investment vehicles, is up and running. The Group also plans to start up activities in Latin America, where it has already opened an office in Santiago de Chile, imminently.

5. R&D activities

In 2011, 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.

EXPLANATORY REPORT ON MATTERS INCLUDED IN ARTICLE 61 BIS OF SPAIN'S SECURITIES MARKET ACT THAT ARE NOT INCLUDED IN THE 2011 CORPORATE GOVERNANCE REPORT

As stipulated in article 61 bis of the Spanish Securities Market Act (Law 24/1988, of July 28), the Board of Directors of RENTA 4 BANCO, S.A. (hereinafter, the "Company") hereby presents this report to the Company's shareholders, further detailing certain issues, as legally stipulated, that are not dealt with in the Annual Corporate Governance Report, the contents of which are also included in the Management Reports accompanying the Company's 2011 individual and consolidated financial statements.

At a meeting taking place on March 20, 2012, 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, 2011, 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. These shares are represented by book entries and carry the same voting and dividend rights. At December 31, 2011, the Company held 3,119,983 own shares, representing 7.667% of its share capital, a figure that is unchanged since February 10, 2010. 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.

In the extraordinary general meeting held on July 24, 2007, the Company's shareholders agreed to decrease share capital by 3,249,609 euros by reducing the nominal value of the shares by 0.20 euros, from 1 euro to 0.80 euros.

At the extraordinary general meeting held on September 29, 2007, the Company's shareholders approved a further reduction in the nominal value of the shares, from 0.80 to 0.40 euros per share, and a split in the number of shares outstanding, from 16,248,045 to 32,496,090 shares.

In addition, at the extraordinary general meeting held on September 29, 2007 shareholders agreed to increase capital for the initial public offering (IPO) by a nominal amount of 3,278,845,20 euros via the issue of 8,197,113 new shares with a nominal value of 0.40 euros each, with a share premium, paid in through monetary contributions.

Lastly, in connection with the transformation of the Company into a credit institution in the wake of the agreement to merge by absorption with RENTA 4 BANCO, S.A. (Unipersonal), receiving en bloc all of its assets and liabilities and, subsequently, to partially spin certain business lines out from RENTA 4, S.A., S.V. (Unipersonal), as resolved under agenda item two at the extraordinary general meeting held by the Company on September 27, 2011, it was agreed to increase equity to 18,311,941.35 euros, by increasing the nominal value of each of the Company's shares to 0.45 euros, resulting in the share capital structure referred to in the first paragraph of this section.

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 13,642,187 shares and indirectly 6,343,604 shares, giving him a total shareholding of 49.05%.

Mr. Ureta Domingo owns 6,343,604 shares, representing an indirect ownership interest in the Company of 15.529%, through the following entities and individuals:

- Sociedad Vasco Madrileña de Inversiones, S.A, holder of 467,626 shares, representing 1.149% of share capital.

- Surikomi, S.A., holder of 2,321,548 shares representing 5.7% of share capital.

- Sociedad de Inversiones Santamaría, S.L., holder of 115,100 shares, representing 0.28% of share capital.

- Recarsa, S.A., holder of 244,909 shares, representing 0.6% of share capital.

- Asecosa, S.A., holder of 2,296,735 shares, representing 5.6% of share capital.

- Matilde Estades Seco, holder of 896,986 shares, representing 2.2% of share capital.

- Juan Carlos Ureta Estades, holder of 700 shares, representing 0.002% 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 Chapter I of Title II of the Bylaws regulates the bylaw amendment process.

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.

Beyond this, the powers and competencies vested in the Board of Directors are those stated in article 5 of the Board Regulations, as follows:

"1. The Board of Directors has the power 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 primarily 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 or deemed necessary for due performance of the aforementioned supervisory function.

2. The following matters are reserved for the Board in full and may not be delegated:

a) Approval of the Company's general policies and strategies, and in particular, the strategic or business plan, management targets and annual budgets, the policies and limits applying to treasury stock, corporate governance and social responsibility policy, risk control and management, identifying the main risk factors facing the Company, and the implementation and periodic monitoring of internal information and control systems.

Approval for issue of the individual and consolidated annual financial statements and management reports and the proposed appropriation of the Company's profit, taking care to ensure that these documents provide a fair view of the Company's financial situation and performance, in keeping with applicable legislation.

b) *Formulation of the dividend policy to present and propose at the General Meeting, agreeing, where appropriate, the payment of interim dividends.*

c) *Determination of shareholder and market reporting and communication policies, approving the financial information which the Company must make public periodically in its capacity as a listed entity.*

d) *Approval of director remuneration, including in the case of executive directors additional remuneration for the discharge of their executive duties and the other terms and conditions governing their contracts insofar as they are incumbent upon the Board pursuant to the Bylaws, and senior management remuneration and performance appraisal, deciding, at the proposal of the Chairman or CEO, the appointment and potential dismissal of senior executives, including any termination clauses.*

e) *Appointment and dismissal, as warranted, of the CEO.*

f) *Defining the Company's scope of activity in the Annual Corporate Governance Report and, where appropriate, any business relations with other companies in the group to which it belongs and the mechanisms in place to resolve any conflicts of interest that may arise.*

g) *Investing and financing policy, and in particular the approval of investments, disposals, credit lines, loans, surety or bonding lines and any other financial facility within the limits established by the Board itself, and any investments or transactions rendered strategic in nature by their specific circumstances.*

h) *Approval of the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity could impair the transparency of the group.*

i) *Design of the structure of the corporate group.*

j) *Authorization, at the recommendation of the Audit and Control Committee, of transactions carried out by the Company with directors, significant shareholders, shareholders with Board representation or other persons related thereto. This authorization will not be required when the following three conditions are met simultaneously: (i) they are performed under contracts with standard terms and conditions and applied* en masse *to multiple customers; (ii) they are performed at prices established in general terms by the supplier of the good or service in question; and (iii) the amount in question does not exceed 1% of the Company's annual income.*

k) *Periodic evaluation of the performance of the Chairman of the Board of Directors, the CEO, and of the Board and its committees.*

l) Resolution on matters requiring a qualified majority for approval, as established in the Bylaws.

3. The aforementioned powers in relation to appointing and removing senior executives and approving their termination clauses, director remuneration and, in the case of executive directors, any additional remuneration for the discharge of their executive duties and the other terms and conditions governing their contracts, the financial information made periodically public, strategic investments and transactions and the powers contemplated in paragraphs i) and k) above may be exercised on the grounds of urgency by the Executive Committee for subsequent ratification at a plenary Board meeting.

4. The Board of Directors must carry out its duties exercising unity of purpose and independent judgment, dispensing the same treatment to all shareholders in accordance with the corporate interest, understood as the common interests of all shareholders, which may not prevent consideration of other legitimate public or private interests which arise in the pursuit of any business activity, particularly the interests of employees. In this context, the common interest of all shareholders must be considered to be the sustained maximization of the Company's economic value which is therefore the criterion that must govern the actions of the Board of Directors and its committees."

In relation to the Board's power to authorize the issuance or buyback of shares of the Company, at the Extraordinary General Meeting of December 22, 2009, 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 75 of the consolidated text of the Spanish Companies Act (currently article 146 of the 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 was granted for a term of five years, i.e., until December 21, 2014.

The following is a transcription of the related shareholder resolution, as translated:

"1.1.- To render null and void the unused portion of the authorization conferred at the Ordinary General Meeting held on April 30, 2009 for the acquisition of own shares directly by the Company or through Group companies.

To authorize the Board of Directors, with express power to substitute the same for the CEO of the Company – even if by so doing the latter may be engaging in self-dealing or become party to a conflict of interest – in order that, pursuant to article 75 of the consolidated text of the Spanish Companies Act, the Company may, at any time, acquire the shares of RENTA 4 SERVICIOS DE INVERSIÓN, S.A., provided that the nominal value of the shares acquired, when added to those already held by the Company and/or its Subsidiaries, does not exceed 10% of the share capital of RENTA 4 SERVICIOS DE INVERSIÓN, S.A.

Furthermore, to authorize the Subsidiaries and the other Group companies so that, in accordance with the aforementioned article 75 of the consolidated text of the Spanish Companies Act, such companies may, at any time, acquire shares of RENTA 4 SERVICIOS DE INVERSIÓN, S.A., provided that the nominal value of the shares acquired, when added to those already held by the Company and/or its Subsidiaries, does not exceed 10% of the share capital of RENTA 4 SERVICIOS DE INVERSIÓN, S.A.

Such acquisitions may be carried out by way of purchase, exchange, donation, foreclosure, or payment in kind, and in general, by any other form of acquisition for valuable consideration. The shares to be acquired must be outstanding and fully paid up.

Firstly, the Board of Directors is authorized to acquire, directly or indirectly, a maximum of 1,627,728 own shares for delivery, in exchange for specific consideration, to its employees, directors or managers and/or to the employees, directors and managers of the Renta 4 Group companies.

To this effect, the Board of Directors of RENTA 4 SERVICIOS DE INVERSIÓN, S.A. or the person authorized for such purpose, the management body of the Subsidiaries or of the Renta 4 Group companies, may resolve to acquire the shares on one or more occasions. In such case, the minimum price shall be equal to the nominal value of the own shares acquired and the maximum price shall be the trading price of the shares acquired, provided that it is not higher than five euros and fifty cents (€5.50). Trading in own shares must comply with prevailing securities market rules and regulations.

Additionally, the Board of Directors of RENTA 4 SERVICIOS DE INVERSIÓN, S.A. or the person authorized for such purpose, the management body of the Subsidiaries or of the Renta 4 Group companies, may acquire own shares for any other purpose on one or more occasions.

In the latter case, 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 stock exchange at the time of acquisition. Trading in own shares must comply with prevailing securities market rules and regulations.

Specifically, in accordance with article 75.2 of the Spanish Companies Act, the limit on the acquisition of own shares is 10% of share capital.

Both authorizations are granted for a term of five years commencing December 22, 2009, i.e., until December 21, 2014.

The shares acquired under these authorizations shall not bear any political rights, including voting rights, and the corresponding dividend rights shall be allocated proportionately to the rest of the shares in keeping with the terms of article 79 of the Spanish Companies Act.

Once the Board of Directors has made use of the foregoing authorizations it must comply with the information requirements of paragraph 4 of the aforementioned article 79 of the Spanish Companies Act.

1.2- To establish a restricted reserve within the equity of the acquiring company equal to the sum of own or parent company shares booked under assets, in accordance with paragraph 3 of article 79 of the Spanish Companies Act.

1.3.- To authorize the Chairman Mr Juan Carlos Ureta Domingo and the Secretary Mr Pedro Ramón y Cajal Agüeras of the Board of Directors, or the party authorized by them to this end, so that either party, jointly and indistinctly, may issue the public and private deeds required to execute the above resolutions until they are notarized and filed, albeit partially, at the Companies Register, including as many deeds of ratification, rectification, clarification or amendment as may be required".

g) **Significant 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 2011 CONSOLIDATED FINANCIAL STATEMENTS.

The members of the Board of Directors of Renta 4 Banco, S.A. (formerly Renta 4 Servicios de Inversión, S.A.) state that to the best of their knowledge the 2011 consolidated annual financial statements approved at the meeting held March 20, 2012 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 Ángel Navarro Martínez
Deputy chairman

Mr. Santiago González Enciso
Board member

Mr Miguel Primo de Rivera y Urquijo
Board member

Mr Jesús Sánchez Quiñones
Board member

Mr Francisco García Molina
Board member

Mr Eduardo Trueba Cortés
Board member

Mr Pedro Ferreras Díaz
Board member

Ms Sofía Rodríguez – Sahagún Martínez
Board member

Mr Juan Luis López García
Board member

Mutualidad de la Abogacía
Antonio Arcos Barazal
Board member