bancopopular-e

Information of Prudential Relevance

bancopopular-e

On 31st December 2014

Index

TABLES INDEX

1 INTRODUCTION

This "Information of Prudential Relevance" report of bancopopular-e, referred to 31 December 2014, aims to meet the requirements of information disclosure to the market that have been mainly established by the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter, "CRR") and by the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (hereinafter "CRD IV"), which are the reference legislation[1] on capital and supervision on a consolidated basis of credit institutions.

The recommendations of the European Banking Authority (hereinafter "EBA") and the Enhanced Disclosure Task Force (hereinafter "EDTF") and Basel Committee[2], have been also taken into account for the preparation of this report, always bearing in mind the application of the principles of materiality and proportionality.

The information contained in the report meets the requirements of the CRR. In its development it has been considered what is indicated in article 432.2 thereof, about the confidentiality of the information. bancopopular-e states that it has not omitted any information required for reasons of confidentiality.

At its meeting of 25 June 2015 the Audit and Risk Committee of bancopopular-e has approved this document with prior verification by a third-party expert of the information that in this document is not covered by the audit of financial statements.

Pillar III Disclosure Report is available on the website of bacopopular-e (www.bancopopular-e.com)

[1] *Together with the national legislation has transposed this regulatory block (Royal Decree-Law 14/2013, 10/2014 and Royal Decree Law 84/2015).*

[2] *Review of the Pillar 3 disclosure requirements document,* 28 January, 2015.

2 SCOPE OF APPLICATION

The information presented in this document is referred to bancopopular-e, S.A. (hereinafter "the Entity"), individual entity, and conforms to the requirements of article 436 CRR.

Bancopopular-e, S.A. is a credit institution, the trading name of which is bancopopular-e.com. Although it was created by the Grupo Banco Popular in the summer of 2000 as an internet subsidiary, its current configuration has been modified as a result of a series of strategic transactions that have occurred in recent months and are summarized below.

On 1st July 2014 the acquisition of the credit card business from Banco Popular Español, Banco Pastor and Popular Banca Privada was formalised in the form of a non-monetary contribution. The bank in turn, increased its capital by 36,431m euro and gave these shares to the contributing entities. This operation was part of the business re-organisation process carried out in Grupo Banco Popular in order to specialise bancopopular-e in managing the credit card business.

On 23rd June 2014, the bank signed an agreement to buy the retail and card business from Citibank Spain, S.A., and the deal was closed on 22nd September 2014, when the purchase was signed. This purchase agreement brought the Consumer Banking area of Citibank Spain, (encompassing the branch network and credit cards), Citibank Mediador, O.B.S.V., S.A.U (currently Popular-e Mediador) and Citi Recovery A.I.E. (currently Popular-e Cobros) into the bancopopular-e, S.A. perimeter. The relevant event was filed with the National Securities Market Commission (hereinafter, “CNMV”) on 22nd June 2014, informing them of the agreement to sell these companies to Grupo Banco Popular.

On 4th August 2014, a relevant event was filed with the CNMV reporting the agreement to sell 51% of bancopopular-e to U.S fund Värde Partners, L.P., which came into effect on 19th December 2014.

It is important to take into account that these corporative transactions have contributed to the modification of the operation, politics and organisation of the Entity to varying extents. Because of this, at 31 December 2014, the reference date for drafting this document, it will reflect an image of process and it will show the integration process the Entity is currently experiencing.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES

The different risks implicit in the banking activity implemented by bancopopular-e are managed under the criteria of maximum prudence, permanently preserving the basic objectives of solvency, profitability, efficiency and adequate liquidity.

This section reflects the current transition situation in which the Entity is immersed. The culture that dominates bancopopular-e is primarily inherited from Citibank Spain, and now the Entity is in the process of integrating Grupo Banco Popular inherited products portfolio to it.

The risk policy is a synthesis of strictly professional criteria in the study, assessment, assumption and monitoring of risks by the Entity, that lead to the optimization of the risk / return binomial inherent to credit risk, and minimize other risks (operational, liquidity, interest, market, concentration, business, reputational and others).

The following points outstand in the Risk Management, as identity and management criteria:

- Involvement of senior management: among other functions, the senior management of the Entity makes regular monitoring of the process of evolution in the internal management of risks in order to ensure a proper implementation of the international capital regulation (Basel III) which is already being implemented in the daily management of risk, material allocation and personal means and defining a comprehensive risk framework, setting an appropriate risk policy and watching its constant adaptation to changing market and clientele rules as they occur.

- Separation between commercial and risk areas.

- Formal system of attributions for the extension of credit, under which the various hierarchical levels of the organization have been assigned different delegating powers for the authorization of operations.

- Risk management and limits granted by client or economic group of connected clients when this relationship exists.

- Priority of the risk policies aimed at ensuring the stability of the institution, viability in the short, medium and long term and maximization of the risk-return relationship.

- Strict compliance with current legislation, in all its aspects, with special attention to monitoring the prevailing instructions on the Prevention of Money Laundering and Terrorism Funding

- Analysis and differential treatment of operations refunding or debt restructuring.

- Finding the best balance between loans and resources.

- Diversification of the credit risk inherent in loan investments, setting or adjusting the limits for borrowers, sectors, and terms.

- Flexibility of the organizational structure, that is target-oriented.
- Application of internal automatic systems based in rating or scoring.
- Monitoring of risk from its analysis to its extinction.

As the Entity's senior governance body, the Board of Directors shall play an active role in managing and controlling its risks and in ensuring adequate capital levels to face them. Monitoring shall be conducted both directly, at Board meetings, and through the Audit and Risks Committee, which has the delegated powers of the Board and through other committees in place. Their functions will be explained in the following section.

The activities conducted by the Board of Directors from when it was recently created in December up to date regarding risk management, its internal control and ensuring adequate capital have been the following:

- Review and approve the Risk Appetite Framework and its control.
- Review and approve the capital self-assessment process.
- Determine the Entity's target capital.

Apart from this, during this period a risk appetite statement has been designed, institutionally approved, and implemented, observing a 3-year-time frame appetite statement. Additionally and accompanying this comprehensive view of the risks, a Risk Assessment exercise has been implemented by the publication of this report in order to clearly identify the risk profile of bancopopular-e and to subject it to constant monitoring. This will help to prevent possible conflict situations or any non-alignment with the appetite, which will require the adoption of the appropriate corrective measures.

Below is the information required by the art.435.1 CRR on the objectives and management policies of the different risk types.

3.1 Credit Risk

Credit risk is defined as the possibility of suffering losses arising from a breach of contractual obligations by the debtor.

3.1.1 Management strategies and processes

Credit risk is the most significant one on the Entity's balance sheet. The credit risk management in bancopopular-e aims at identifying, measuring, monitoring integration and assessment of different risk exposures, as well as establishing the profitability of customer and operations adjusted for the risk assumed.

The Entity's policies, tools, circuits and processes and the credit risk management criteria are not the same throughout the Entity. They depend on the product and origin they come from: products from Citibank Spain or products from Grupo Banco Popular. However, for both of them, the Entity has quantitative tools and models that allow to optimise credit risk quality and management in the process of admission, monitoring, and collecting. Despite this, the Entity is engaged in a process that is taking it towards a greater integration of all its policies, structures, tools, circuits and processes to end up converging on a single, common credit risk management system.

3.1.2 Structure and organisation of the credit risk management

The function responsible for credit risk management is formed by a set of departments that mainly have functions relating to credit, arrears/delinquency and fraud. The responsibilities assigned to each of these risk management functions during the entire life of the product are:

- **Credit policy:** Define risk policies both for bringing in new customers and for managing the portfolio, with the essential goal of growing the business while maintaining credit quality.
- **Credit Initiation:** Analyse and Credit sanction of asset products. Tracking of production and credit sanction results metrics.
- **Collections Strategy:** Define the Collections strategy throughout the process from the moment the first receipt is returned to managing write-offs.
- **Collections and recovery management:** Reduce credit losses as much as possible, in order to positively contribute to bancopopular-e P&L, providing help and support for customers in different delinquency status through our multichannel excellence centre, sited in Madrid and Colombia.
- **Fraud Functions:** Define fraud prevention, detection and recovery policies.

Apart from the areas described, there are two units that are connected to the credit risk area organisationally, despite the fact that they do not appear in the present credit risk organisational chart as they are exercised by other areas of the Entity, which has a matrix report to Credit Risk area. These areas are:

- **MIS & Reporting:** Generate all the analyses and reports that may be necessary for managing credit risk.
- **Scoring:** Responsible for all scoring models used in credit risk acquisition, behaviour and collection strategies.

3.1.3 Scope and nature of credit risk reporting and measurement systems

The Entity has a specialized risk admission structure depending on the type of customer and has risk monitoring systems that tries to anticipate problematic situations in order to enable a quick response adapted to each scenario. In this sense, for a comprehensive and effective risk management, the Entity has developed methodologies and models that allow quantification of the basic elements of risk as are the expected and unexpected losses associated with all exposures of the Entity.

There are scoring and segmentation models and minimum acceptance criteria that are used to include all pertinent quantitative and qualitative risk factors to ensure that decision-making is based mainly on objective and measurable parameters. This is done automatically in the analysis and admission process in order to rule out transactions that do not meet the Entity's risk and profitability requisites that have been built and calibrated with, or to forward them to a credit analyst for his evaluation and sanction.

To maintain credit risk exposure at an appropriate level, in line with its risk profile, there is an active end-to-end risk management from pre-analysis until it is totally extinguished utilizing the information on the entire cycle of the products

The results of all processes and functions are assessed periodically to locate anomalous deviations from expected results and to identify areas for improvement and optimisation possibilities. The foundation for this is a monitoring system based on technical alerts, using pre-established indicators that allows preventative monitoring of the risk.

3.1.4 Policies for hedging and mitigating credit risk

Taking into account bancopopular-e's business nature, the credit risk management focuses exclusively on credit cards, so no specific techniques are carried out hedging and credit risk reduction beyond those implied by the management itself and the possibility of reducing risk through portfolio sales or joint securitization. Furthermore, the loan portfolio has no individual or sectorial risk concentration, being zero their Pillar II requirements for this category, which in itself mitigates credit risk.

The credit management of bancopopular-e is known for its prudence in making decisions and diversification focus. To manage credit risk, the Entity has a centralized structure for risk admission and independent to the commercial area, with the exception of applications acquired through branches of Banco Popular Group as well as monitoring systems that try to anticipate situations issues to enable a quick response adapted to each scenario. In addition, the Entity has developed methodologies and models to quantify the basic elements and consequences of risk such as the (expected and unexpected) losses associated with all of its exposures.

3.2 Exchange Rate Risk

Exchange rate risk arises from the possibility that the positions that the Entity maintains on and off the balance sheet could be adversely affected by movements in exchange rates between currencies and, therefore, modifies the equity measured in euro.

Currently**,** in the new stage of bancopopular-e, the operation remains the same as it was in Citibank Spain. The only exposure to exchange rate risk in Citibank Spain came from customers requesting foreign currency. However, this exposure was practically non-existent as the positions created by customers' requests were closed through the branch network itself, in accordance with the in-house limits each branch had been set in this line. The trading desk received these orders from the branches and off-set the positions every 30 minutes. The only time there was any exposure to exchange rate risk was for the operations that were entered during the part of the day when the trading desk was not operational (*i.e.*, if the operation were entered at night over the internet or through ATMs). But, when the department came back into operation, the transaction was immediately closed, so exposure was practically non-existent. Furthermore, the possibility of requesting these currency exchange operations in bancopopular-e has been limited to those customers with accounts euros and other foreign currency through internet banking. Although the management policy for this risk is still being re-defined for the new stage of the Entity, initially, there are no plans to continue offering a foreign currency service to customers.

3.3 Market Risk

The Entity does not have a trading portfolio and it is not subject to capital requirements to cover this risk.

3.4 Operational Risk

Operational risk is defined as losses due to the inadequacy or failure of internal processes and systems, human factors, or external events. The legal risk arising from failing to comply with the law, regulations, ethical standards or bancopopular-e policies are also included in operational risk. Strategic risk or loss as a consequence exclusively of authorised judgements made with respect to taking credit, market, liquidity or insurance risk, however, are excluded.

3.4.1 Management strategies and processes

Operational Risk Management Policy (ORM Policy) and the Manager's Control Assessment programme (hereinafter, "MCA") Standards are the policy and the standards that currently govern the bancopopular-e internal control environment. This policy is consistent with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Internal Control - Integrated Framework, and with Sarbanes-Oxley (SOX) sections 302 and 404. The objective of the Operational Risk Management Policy is to establish a management framework to assess and report on operational risk and the global efficiency of the internal control environment by means of consistent organisation, guaranteeing appropriate management of operational risk in compliance with the requirements set in Basel.

Policy is based on the standards set in the MCA, which continually assesses the effectiveness of the organisation's internal control environment against the Basel requirements.

The current Operational Risk Management Framework is based on a governance structure that supports the main operational risk management activities: anticipation, identification, mitigation and recovery. Operational risk is managed in the organisation using the model of three lines of defence, in line with the Entity's internal control governance structure. The Enterprise Risk Management department (hereinafter, "ERM") oversees the Operational Risk Management Framework.

3.4.2 Structure and organization of the operational risk management

The ERM team's main mission is to support the different business units in rolling out a strong operational risk management culture, together with the ones described below:

- Establish and oversee the effectiveness of Operational Risk Management Policy, risk mitigation tools, internal controls and the governance structure processes.
- Advise on the design of the Internal Control Environment and on implementing policies and procedures to mitigate operational risks.
- Anticipate the identification of the most significant existing and emerging risks and propose necessary corrective actions that mitigate these risks.
- Co-ordinate and appraise the MCA program.
- Monitor the effectiveness of existing corrective actions to resolve problems/weaknesses identified.
- Identify, anticipate, measure, mitigate and report on operational risk exposure. To this end, they draw from the information from several committees.
- Co-ordination of the Entity's Business Risk Control and Compliance Committee (BRCC).

3.4.3 Scope and nature of risk reporting and measurement

The MCA is a key element of the Operational Risk Management Framework. The MCA is a self-assessment tool designed to help those with responsibility in the business to prevent or detect operational control problems, identify and adequately mitigate emerging risks and implement corrective actions that resolve or mitigate the potential impact on business targets and operational losses.

The managers identify the Key Risk Control Indicators (hereinafter. "KRCIs") for the main risks and set a threshold or limit for each operational risk identified. When this threshold is exceeded, the different areas of business are alerted of the possible existence of a potentially significant change in risk exposure, which triggers a series of actions. Indicators must be pertinent, measurable, anticipatory, transparent, timely, exact and comparable (between risks, products and areas). The levels for each key operational risk and the status of its control indicator are reviewed quarterly by the Senior Management. Moreover, an indicator report is written every month, showing their status and performance. If there are no suitable risk indicators and controls, testing can be used as an alternative assessment method, instead of monitoring.

Furthermore, the control weaknesses identified in each area are known as issues. If weaknesses or gaps are identified in the implementation of key controls or monitoring methods, the heads of the business areas must, first of all, show these conclusions in the section reserved for this in the MCA, determine what changes are necessary and the monitoring/ testing methods and tools that should support them and, finally, create a new issue referring to the weakness identified, linking it to the operational risk it is associated with. Once a month, ERM co-ordinates a review of the list of issues and the state of the corresponding corrective action plans (CAPs), showing their evolution and current status.

3.4.4 Policies for hedging and mitigating operational risk

The Entity's operational risk prevention and mitigation policy is based, on the one hand in the subscription of an insurance for fraud events, and on the other hand, on the development of contingency and continuity plans.

The insurance mentioned above covers the main types of fraud that the Entity may suffer and is contracted for most of its product portfolio.

Together with this, the Information Security and Contingency Plan department is responsible for developing continuity and contingency plans, allowing anticipation over possible future problems that may threaten in any way the business continuity. Specifically, contingency plans list those actions that should be implemented if for any reason, the building in which bancopopular-e headquarters are currently located cease to be operative. This plan specifies the number of jobs that require local work and if so, with what time urgency. Once formed the contingency plan, a provider that can offer a building prepared for this circumstance is hired.

As for the bancopopular-e's continuity plan, its objective is to ensure that the failure of any Entity's provider has the minimum impact in its daily activities. According to it, in each case, for a given activity several providers are contracted to reduce risk exposure, or if it is only possible to hire a single provider, this is required to have its own continuity plan.

3.5 Interest Rate Risk

Balance sheet structural interest rate risk is defined as the possibility of suffering losses from the potential impact of changes in interest rates on the Entity's profits or on the net value of its assets.

3.5.1 Management strategies and processes

The principle that governs the control of the interest rate risk of bancopopular-e is based on measuring and managing this kind of risk, seeking to ensure a stable and growing intermediation margin and economic equity value compatible and coherent with the Entity's business model and taking into consideration the variations in market interest rates, either at their level or in the slope of the curve. The main source of interest rate risk for the Entity arises from a time gap between maturities and re-pricing of the different items on balance sheet.

Interest rate risk analysis consists of measuring, assessing and controlling the impacts of variations in the Entity's short/medium term interest rate (net interest income) and the long term interest rate (economic value) by putting measures in place to manage them.

3.5.2 Structure and organization of the interest rate risk management

In the framework of new risk management policies that are being redefined, those risks and their limits are also being redefined and they will be included in the new policies that are actually under study and redefinition with the aim of being adequate for the new bancopopular-e activity.

The organisation of the interest rate risk, exchange rate risk, liquidity risk and market risk function revolves around a series of key bodies and departments. On the one hand, the Treasury area, which monitors and manages the afore-mentioned risks and is responsible of the more operational functions in managing this risks.

They must also propose strategies to mitigate them, ensuring that they are in line with legislation and regulations in both the short and the long term. The function of this department is key to manage this risk, as it is responsible for off-setting the gaps between the asset and liability products of the business.

The role of the ALCO (Assets and Liabilities Committee) is also essential to manage this risk. The ALCO is the committee that oversees and grants final approval for all market and liquidity risks, transfer prices and for optimising the balance sheet, assessing capital management and for supervising legal and regulatory restrictions on the deal and the different legal vehicles.

The different business areas in turn, are responsible for identifying possible risks in their sphere of responsibility, measuring them and duly reporting them. The Entity's governing bodies, albeit in the process of final configuration, will take an active part in approving the treasury's general business strategies, defining the policies for accepting and managing the risks associated with them.

3.5.3 **Structure and organization of the interest rate risk management**

Currently, positions, separated from Citibank Spain and now belonging to the bancopopular-e perimeter are analysed and monitored daily, using Citibank Spain procedures and tools, which were very similar to those used by Grupo Banco Popular. Interest rate risk and the limits for managing it in the new entity and the way bancopopular-e native products and Citibank Spain products are consolidated are in the process of being defined for the new stage of bancopopular-e.

At Citibank Spain, interest rate risk management was based on Citi Asset Liabilities Model (hereinafter, "CALM"), a base system that captured all the information of the bank and was connected with Transfer Pricing (hereinafter. "TP"), which contained all daily transfer prices. With this information, the Earnings at Risk tool (hereinafter, "EAR") elaborated a series of reports describing the entity's behaviour regarding interest rates. These reports were reported to the Treasury area in order to conduct scenario analysis at 12, 24 and 60 months to measure the effects of interest rates changes. The result obtained was the report of the Interest Rate Exposure report (IRE), which measures the potential impact on the entity's results for a particular period of time due to variations in interest rates.

In bancopopular-e, before its union with Citibank Spain, as a subsidiary of Grupo Banco Popular, its market risk policy was the one established for the whole group of subsidiaries. The management of this risk it was based on a similar process to that referred above for Citibank Spain, although the tools on which it relied were different.

3.5.4 **Policies for hedging and mitigating interest rate risk**

Bancopopular-e manages the interest rate risk in the ALCO (Asset Liability Committee). This parameter, given the business nature, historically demonstrated a very stable behavior pattern, being the Entity's Treasury department in charge of its monitoring. The preferred tool in the management of this risk is the management, through commercial channels, of the retail liabilities term structure. In the event that even with these measures the risk exceeds the accepted parameters of the Entity, it would proceed to remedy this through active hedging implemented in financial markets.

3.6 Liquidity Risk

In general terms, liquidity risk is the possibility of incurring losses because there are no funds available to meet payment obligations on time. Work is currently on-going in integrating bancopopular-e native Products portfolio into the policies, systems and tools inherited from the Citibank Spain products, which are the ones in use in the Entity.

There is a set of tools and metrics that the Entity has inherited from Citibank for monitoring liquidity risk. The main tool is the *Market Access Report* (hereinafter, "MAR"). The CALM and TP systems, which are the engines that generate the MAR reports, monitor the parameters daily. These management reports show the daily gaps and position of contractual and non-contractual products in a base-line scenario and in a stress situation, divided into the different terms, from O/N (*overnight*) to more than 2 years. Apart from monitoring positions and gaps, a list of liquidity ratios are picked up as they give an over-view of the Entity's global liquidity status. The information gathered daily in the reports generated by MAR is summarised once a month and the conclusions are presented at the ALCO meeting, which decides whether measures have to be taken in the event of operating outside of the limits set by the Entity.

The internal organisation of the liquidity risk function is the same as for market risk, exchange rate and interest rate risk.

The Entity has maintained the principle of financial autonomy in 2014, since the acquisition of Citibank's consumer banking, meeting the objectives set for the 2014 plan. As the Entity is immersed in the process of re-definition, it is working on drawing up a set of limits based on the metrics and the analysis that will be used in controlling and monitoring liquidity risk. The objective pursued by creating these limits is to restrict and warn of excesses over and above funding needs.

3.7 Other Risks

3.7.1 Business Risk

Business risk refers to the risk of the Entity's to be negatively affected on its capacity to attain its objectives, circumstance arising from making incorrect decisions, implementing them erroneously, or from not responding to changes in the industry or the environment, thus triggering a reduction in revenues or capital.

The main differentiating factors in bancopopular-e's business strategy rests on several pillars: on the one hand, on an independent business focused on profitability and a disciplined view of risk management and subscription, on a direct sales distribution model and successful, efficient delinquent account collections and operations functions, and on the other hand, on being highly oriented towards customer and portfolio management, based in turn, on a mature analytical discipline.

The new bancopopular-e is well aware of the emerging importance of strategic or business risk, and of the Entity's exposure to it, which is why has implemented a set of control principles and procedures capable of efficiently mitigating the impacts of materialising an event of this type of risk.

3.7.2 Reputational Risk

Reputational risk refers to the possibility of losing customers, a fall in revenues or court cases arising from the bank losing prestige, projecting a poor image or negative publicity for the institution and its business practises amongst stakeholders.

Reputational risk is the one that requires the most qualitative management and measuring its inherent risk is the most difficult to quantify. The satisfaction of the Entity's customers is the acid test of this risk, which is why Bancopopular-e works to ensure that its products and sales practises are appropriate. All the products offered to customers have to be scrutinised and approved before they are launched. The Entity's marketing manual is undergoing an approval process and must be in compliance with the approved advertisement communication policy. There is an exhaustive control of sales practise, customer complaints and any other formal complaint made by the regulators. Regularly client satisfaction level is measured. This information is carefully analysed and dealt with in the different committees to ensure that customers are adequately protected. Below is a list of the main committees that intervene in controlling reputational risk management:

- Internal Control Body (ICB) for prevention of money laundering related issues.
- The Operational Losses Committee analyses cases that have caused an operational loss and, if necessary, it proposes corrective actions to prevent similar events from occurring in the future.
- Avoid conflict of interests through the Incentive Incidences and Variable Compensation Committees.
- Through Regulatory Projects Committee and the Regulatory Control Matrix Governance Committee it is ensured appropriate adaptation to the legislation in force.
- The Investment Supervisory Committee and the Business Insurance Committees act as specific product and sales process committees.
- There is the Branch Environment Control Committee and the Financial Agents Committee to ensure that branches and financial agents comply with the processes established.

All the above committees escalate any incidences they find to the Entity's Business Risk Control and Compliance Committee (BRCC), where along with specific analysis on complaints trend analysis, requirements by regulators/supervisors and legal rulings follow-up, it is worked to maintain bank's reputation.

3.8 Global Systemic Risk

Bancopopular-e is not classified as a bank with global systemic importance under Article 131 CRD IV.

3.9 Adequacy of risk management arrangements with the institution’s profile and strategy

The Board of bancopopular-e, head of the monitoring and supervision of the risks incurred by the Entity, is responsible for the annual approval of the Internal Capital Adequacy Assessment Report. This report includes an evaluation of:

- Risk Profile of the Entity
- Governance, management and risk control systems
- Own funds target
- Capital planning
- Future action program

After this assessment, it is stated that government systems, management and control at the individual level and all risks are considered adequate and adapted to the reality of the Entity.

3.10 Description of the institution’s risk profile associated with the business strategy

In the Capital Adequacy Assessment Report, which is approved by the Board of Directors, an assessment of the Entity’s risk profile is performed, based on the methodology set forth in the document “Bank of Spain supervision model".

The risk profile of bancopopular-e is considered medium-low, and with a stable trend for most risks. The profile of medium-low risk means that there is a low risk of the entity having difficulties in the future, due to a reduced inherent risk, good internal and corporate governance and management systems and internal control appropriate to the activities carried. This assessment reflects the current integration process of this Entity.

4 INTERNAL GOVERNANCE

It must be taken into account that by 31 December 2014, reference date for this document, this entity has been trading for scarcely 12 days. For this reason, the governance system is still at a definition stage and consequently it will be stated the lines of progress made in this area and the trend of its future configuration.

4.1 Number of directorships held by members of the management body

Currently, none of the two Managing Directors of bancopopular-e are members of the Board of Directors. However, they participate on the Board meetings as assistants.

4.2 Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise

The selection of the Board of Directors members ensures the adequacy of the key members as established by Royal Decree 256/2013 of 12 April, so that the suitability of the persons who effectively direct the business of the credit institution is guaranteed.

In particular, the main components that are valued in the selection of persons for positions of greater relevance are their integrity, professional experience in relevant positions, deep industry knowledge and past successes, along with planning, management, adaptation and strategic vision skills.

A separate unit is responsible for the initial assessment and ongoing monitoring of the suitability of persons in key positions in bancopopular-e, based on the structure and organization of the areas of Legal & Compliance, as equipped specialized units with specific knowledge of corporate governance and compliance with regulatory issues in the field.

4.3 Policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved

Bancopopular-e is committed to diversity principles as a tool to generate value in the teams working for the Entity.

The Entity's internal policy of inclusion in senior management positions establishes, if possible, the presence of a woman and a man on the shortlist of finalists of each selection process. By December 31, there is a higher representation of women in the management team of the Entity, representing a 56% of the total. Consequently, the Entity meets with the target mentioned.

Likewise, the Entity ensures the equality in terms of salaries compensation and variable remuneration, taking always into account the boundaries of each position, annually analysing the highest levels. By the reference date, in the team that directly reports to the Senior Management, women receive an average 8% more of total compensation than men. Therefore, the Entity also meets with this compensation and remuneration target.

4.4 Audit and Risk Committee

Currently, there is an Audit and Risks Committee that meets on a monthly basis. Its composition and tasks is as follows:

- Composition: three non-executive Board of Directors members, being the President of the Committee the independent board member. The committee members have know-how, capacity and experience to fully understand and control the risk strategy and the entity risk propensity and knowledge and experience in accounting, audit and risk management.
- Tasks.
    - Advice the Board about the risk propensity, current and future and about the risk strategy of the Entity. Oversee pricing policy of assets and liabilities to ensure it is properly aligned with the Entity's risk strategy.
    - Establish, type, amount, format and frequency about the risk information that has to be provided to the Committee and the Board of Directors.
    - Cooperate to establish rationale remuneration policies.
    - Oversee the financial reporting of the Entity and ensure integrity.
    - Ensure independency of the Internal Audit function.
    - Propose selection, election and cessation of the Internal Audit responsible.
    - Establish and oversee a mechanism that enables employees to report potentially important irregularities.
    - Oversee the efficacy of the Entity's internal control.
    - Approve the mandate and terms of the external audits.

4.5 Description of the information flow on risk to the management body

The Board of Directors is responsible for the approval of the general policies and strategies of the Entity and in particular, of the general risk policy. The board has a number of committees and commissions that pay special attention to risks.

According to the new regime of the Board committees introduced by Law 10/2014 of 26 June, management, supervision and solvency of credit institutions, the Board formally established an Appointments and Remuneration Committee and Audit and Risk Committee (described above).

- **Appointments and Remuneration Committee**
  - Composition:
    - Three non-executive Board of Directors members, being the President of the Committee the independent board member.
  - Functions:
    - Identifying, evaluating and recommending candidates for the Board of Directors.
    - Assess the balance of know-how, capacity, diversity and experience of the Board and draw up a description of the functions and necessary aptitudes for a specific appointment.
    - Assess the structure, size, composition and performance of the Board Members every year and make recommendations to it.
    - Review the Senior Management members' selection policy.
    - Propose remuneration policy to Board of Directors, ensuring alignment with the business and risk appetite of the entity.
    - Ensure the reinforcement of the banking industry remuneration standards: fixed sum, variable sum, 'claw back', 'malus', etc. .
    - Propose remuneration levels of directors and senior management.

In addition, the internal control environment of the Entity, based on the three levels of defense, has defined different Committees, explained below, to ensure that the different control functions of the Entity monitor and analyse systematically and regularly the different risks. According to the above, any important risk is escalated to the Senior Management.

- **ALCO – Assets & Liabilities Committee**
  - Functions: manage the balance sheet, including: balance sheet optimisation; monitoring of asset, liability and commitment targets; oversight of liquidity and funding plans; market and foreign exchange risks of non-quoted portfolios; capital adequacy; cost of funds; monitoring of risk management limits, targets and ratios. It is also the appropriate forum to discuss any new regulatory requirements and their impact on the balance sheet.
  - Organiser: Treasury Department.
  - Members: Treasury; Financial Control; Risk; Cards Business; Retail Bank Business.

- Frequency: monthly meeting, nevertheless if needed it can be organised sooner.

Any significant concern must be escalated to the BRCC.

- **ICB- Internal Control Body**
  - Functions: internal control body responsible for the application of policies and procedures related to AML. It must analyse, control and communicate all information related to transactions or actions potentially related to money laundering.
  - Organiser: AML Department.
  - Members: Representative in SEPLAC; AML; Compliance; Retail Business; Cards Business; Control (CRO); Finance; Legal; Operations.
  - Frequency: every two months. Until the 19th of December it was covered by the ICB GBPE.

  Any significant concern must be escalated to the BRCC.

- **Operating Losses Committee**
  - Functions: review operational losses and frauds booked in general ledger in prior month, analysing root causes and suggesting possible corrective action plans.
  - Organiser: BP&A O&T Department.
  - Members: BP&A O&T Department, Retail Support, BOF (Branch Oversight Function), BOS (Branch Oversight Support), SIR, Card Business, Compliance, FinCon, Legal, RRHH, Fraud.
  - Frequency: monthly meeting.

  Any significant concern must be escalated to the BRCC.

- **Credit Risk Committee**
  - Functions: it is the main decision-making body with regards to credit risk management. The main objective of the committee is to facilitate the debate and decision making over the proposals presented and to review the main credit risk indicators and portfolio trends. It also provides senior management oversight to the strategic plan, as well as the stress-tests and forecast results.
  - Organiser: Credit Risk Department.
  - Members: co-led by the Consumer Risk Manager and the Business Manager, other members are Financial Control, Legal, Compliance and Collections.
  - Frequency: monthly, or lower in case of an extraordinary call.

  Any significant concern must be escalated to the BRCC.

- **Risk Collections Committee**
  - Functions: joint review by Risk & Collections management of monthly Collections & Recoveries results (delinquency & losses), compliance with Plan, Productivity metrics, Collections strategies tracking, collectors feedback, mitigation tools production & performance, new projects & initiatives, and on-going tests. Whenever applicable, deviations are tracked, root causes analysed, and corrective action plans designed.
  - Organiser: Collections Strategy Department.
  - Members: Country Risk Manager (CRM), Collections Back & Front end, Colombia Hub, Collections Administration, Recoveries, Collections Strategy, E-com native Products Risk and Scoring. Optional attendees: Cards Policy and Credit MIS.
  - Frequency: monthly meeting.

- **RCM GC (Regulatory Control Matrix Governance Committee)**
  - Functions: determining the applicability of key regulatory requirements to business, product, function, and/or legal entity (as appropriate); Identifying (in coordination with MCA process) the relevant control or controls in place (e.g., policies, procedures, supervisory review, exception report, systemic/automated process, reporting) and person(s) responsible to reasonably ensure compliance with key regulatory requirements; Tracking implementation plans on a regular basis.
  - Organiser: Compliance Department.
  - Members: Compliance; PBC; Legal; Operations &Technology; Risk (Credit); ERM; HHRR; Taxes; Finance.
  - Frequency: monthly meeting. Pending re-establishment.

  Any significant concern must be escalated to the BRCC.

- **Regulatory Projects Committee**
  - Functions: review of open items related to latest legal/regulatory updates, analysing implementation progress and next steps, highlighting those under risk. Last meeting (Jan) 46 items were reviewed from which 17 were closed and 29 are on-going.
  - Organiser: Organisation Department.
  - Members: Organisation; Legal; Compliance; PBC; Branch Operations; Project Office; Credit Risk; Remote Channels; Taxes; ERM; Investments Operations; Cards Organization; AML; HHRR; Technology; Product; Finance.
  - Additionally and in relation to the previous point, the Organisation department distributes on a weekly basis a mail containing “Weekly Documentation for AEB and Other Bodies”. With this mail they report the latest legal/regulatory updates, identifying the areas/persons that might be affected. Moreover they keep a page on the Intranet where all the Legal Information is compiled.

- Frequency: monthly meeting.

Any significant concern must be escalated to the BRCC.

- **Investment Supervisory Committee (ISC) & Retail Business Insurance Committee (BIC)**
  - Functions: this Committee has several functions. It supervises the sales process and all items related to this. Reviews the items related with Product, Compliance, Legal, Operations; Customer Experience; BOS, ERM areas and the Production Monitoring Reports. Moreover, it discusses the exceptions identified for the monthly transactional reporting, the corrective actions and the results. It analyses the complaints related to the Investment/Insurance Sales Process. It analyses the Personnel Training and Certification Status; new significant legal / regulatory changes / corporate policy changes. It reviews new product proposals (Investment & Insurance).

    A Pre-ISC &BIC takes place several days before in order to cover in detail the Production Monitoring Reports.
  - Organiser: Compliance Department.
  - Members: Retail; Sales & Distribution; Compliance; Legal; Product; Mediador; BOS; Training; Complaints; Customer Experience; Investment Operations; Internal Audit; ERM; Marketing; Citiplanner/WAARS.
  - Frequency: monthly meeting.

Any significant concern must be escalated to the BRCC.

- **Incentive Incident Committee (Retail Bank)**
  - Functions: review of all incidences detected in the health card, reported by BOS (daily supervisory activity of branches) in order to apply corrective measures as described in the Incentives Plan.
  - Organiser: Compliance Department.
  - Members: Sales, SAU, Product and Compliance.
  - Frequency: monthly meeting.

- **Cards Business Insurance Committee BIC**
  - Functions: review & approval of prior BIC Minutes; Review and update of open action items from previous meetings; Cards portfolio management & Sales update; Quality & Control update; Legal; New business & Product Development; Insurance Product; Compliance; Financial Control; Risk items, Operations; Customer Complaints; Items to be escalated to the Consumer Focus BRCC.
  - Organiser: Compliance Department.
  - Members: Cards Portfolio Sales; Cards Portfolio Management; New Business & Product Development; Mediator; ERM; Cards Quality; Legal; Compliance.

- Frequency: monthly meeting.
- A Pre- Cards BIC takes place several days in advance in order to review in detail the following aspects: Production & Triggers; Cancellations & Triggers; Call Monitoring; Claims Analysis; Complaints Analysis; Training; Register. Additionally to the BIC member areas, the Pre-BIC is also attended by: Customer Complaints; O&T (Telephone Service); Cards Quality Learning.

Any significant concern must be escalated to the BRCC.

- **Branch Control Environment Committee**
  - Functions: provide an effective risk based oversight over the operations of the branches within the country. Review results of Control & Risk Branch Control Units (BOF, BOS & Financial Agents Control) monitoring and on-site inspections as well as any issues/weaknesses arising as result of these reviews.
  - Organiser: Branch Oversight Function (BOF) – O&T Control & Risk.
  - Members: Control & Risk (BOF, BOS & FAs Control Unit), Retail Sales & Distribution, ERM, Internal Audit, Fraud Department.
  - Frequency: quarterly meeting.

  Any significant concern must be escalated to the BRCC.

- **Financial Agents Committee**
  - Functions: review Financial Agents Control Matrix results and any issue/weaknesses arisen as result of the reviews.
  - Organiser: Financial Agents Control Unit (Control & Risk - Business Support).
  - Members: Alternative Channels, Fraud Department, Internal Audit, BOF, Business Support, Compliance (as of 1Q 2015).
  - Frequency: quarterly meeting.

  Any significant concern must be escalated to the BRCC.

- **Service Weekly Committee**
  - Functions: new unexpected service issues that have arisen during the week are communicated and reviewed in the weekly service issues meeting. A forum that helps raise visibility of customer experience issues. Fixing issues and improving service is generally a cross-functional exercise, and getting the relevant people together for debate/decision making is critical.
  - Organiser: Retail Customer Experience.
  - Members: Retail Customer Experience; Fraud; O&T; Compliance; ERM; Investment Operations; Telephone Operations; SAU (Retail); Organisation; Marketing; Digital Channel.

- Frequency: weekly, if necessary. On Tuesday mornings, members are asked if any new issue or update has taken place. If not the meeting does not take place, but the minutes are sent on a weekly basis.

Any significant concern must be escalated to the BRCC.

- **Management Control Assessment Committee (MCA)**
  - Functions: review MCA monthly results, KRIs, Op. Losses, analysis, issues, corrective action plans (CAPs) and conclusions escalated from other Control forums. A total of 452 controls are regularly assessed for CITIBANK SPAIN PRODUCTS including the processes outsourced to Citi BSC and Colombia. MCA is being implemented for E-COM NATIVE PRODUCTS.
  - Organiser: Enterprise Risk Management (ERM) Department.
  - Members: expected attendees include all business and control functions MCA coordinators.
  - Frequency: quarterly meeting.

Results are escalated to the BRCC.

- **Business Risk Control and Compliance Committee (BRCC)**
  - Functions: BRCC, chaired by Senior Management, is the primary vehicle for reviewing and reporting the most significant operational control and compliance issues and CAPs within the business. BRCCs also review the overall effectiveness of MCA, MCA Ratings, and Issues.

    MCA results and issues are communicated to and reviewed by Committee to ensure Senior Management attention is focused on addressing the most significant control issues and emerging risks as well as to drive actions to address the root causes that persistently lead to operational losses.
  - Organiser: Enterprise Risk Management (ERM) Department. BRCC materials are provided by the Business with input from ERM, as required.

    Members: Expected attendees include all business and control functions Senior Management.
  - Frequency: BRCCs meet on a regular basis, at least quarterly.

- **Products Committee**:
  - Functions: review and approve new products, services and pricing policies.
  - Organiser: Treasury.
  - Members: Treasury; Financial Control; Risk; Cards Business; Retail Bank Business, Legal, Compliance and Marketing.
  - Frequency: monthly meeting. Recently created (April 2015).

Another initiative aimed at rounding off the configuration of the new Entity's governance system, which has recently been approved in the company is the definition of bancopopular-e's Risk Appetite Framework with an integral, comprehensive view of all the risks to which the Entity is or could be exposed. This initiative, together with the internal Risk exercise decisively contribute to the risk information between business and the governing bodies.

5 INFORMATION REGARDING OWN FUNDS

The information presented in this chapter follows the publication requirements of Article 437 of the eighth part of the CRR as well as the applicable European directives:

- ITS on Disclosure for Own Funds by institutions under article 437(2) and 492(5) of Regulation (EU) 575/2013 (CRR).
- Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions, in accordance with the CRR.

5.1 Reconciliation of accounting and regulatory capital

The following table shows the reconciliation of regulatory and accounting capital:

ELIGIBLE ELEMENTS (thousand €)	
Capital	105.548
Share premium	326.624
Reserves	123.247
Profit or loss for the period	50.123
(-)Dividends and remunerations	-21.500
Total Equity to Public Balance	**584.042**
(-)Goodwill	-166.107
(-)Other intangible assets	-174.543
TIER 1	**243.392**
Generic funds and overprovisions	18.832
TOTAL REGULATORY CAPITAL	**262.224**

Table 1: Capital elements reconciliation

5.2 Description of the main features, terms and conditions of capital instruments

Common Equity Tier 1 capital (hereinafter, "CET1") considers all CET 1 Capital elements, once the prudential filters have been made, CET1 deductions and the exemptions subject to the limits set by the CRR applied. That regulation provides a gradual implementation schedule that allows a gradual adaptation to the new requirements in the European Union. These schedules have been incorporated into the Spanish regulation with the Circular 2/2014 of Bank of Spain. Bancopopular-e's CET1 components are described below:

- Capital: it includes all the share capital subscribed and paid up by the shareholders of bancopopular-e, SA. As at December 31, share capital consisted respectively of 105,548 thousand fully-subscribed and paid-up shares, each with a par value of 1,00 euro, and 31,000 thousand fully-subscribed and paid-up shares, each with a par value of 1,00 euro. The Entity's shares are not listed on the stock exchange.

Entity's equity has significantly increased in 2014 compared to 2013 as a result of the capital increases made during the year and which amounted to €74,548 thousand with €323 million share premium. By December 2014, the share capital amounts to €105,548 thousand.

- Share premium: it arises from capital increases and is calculated by multiplying the number of shares issued in the capital increase by the difference between the issue price and the par value per share. Under Spanish corporate law, the share premium may be used to increase capital, there being no restriction on its use. In comparison to the previous year, there was an increase in the share premium of €323,018 thousand, which resulted from the capital increase carried out in September in which 38,117,166 shares were issued at a premium of issuance of €8.47 per share. By December 31, 2014, the share premium amounts to €326,624 thousand.

- Reserves: this category includes the net amount of retained earnings from previous years, used to strengthen equity when profits are appropriated, as well as permanent adjustments, and equity instrument issue costs. Spanish corporate law stipulates that 10% of the profit for the year must be allocated to the legal reserve until the balance of the reserve is equal to 20% of share capital. The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it may be used only to offset losses, provided sufficient other reserves are not available for this purpose. Spanish corporate law also requires companies to set aside restricted reserves for transactions involving treasury shares or the shares of their parent company, in amounts equal to the relevant carrying amounts of treasury shares or assets (loans for the acquisition of, or secured by, the shares). These reserves are restricted until the circumstances giving rise to their recognition cease to exist. By December 31, 2014, net reserves and other reserves amount to €123,247 thousand.

- Retained earnings: this category includes the result for the year (€50,123 thousand), less the amount of dividend payments and remuneration (€21,500 thousand). The retained earnings by December 31, 2014 amount to €28,623 thousand.

- Other equity instruments: this item relates to the equity component of hybrid financial instruments having the nature of equity, equity increases for remuneration of personnel and other equity-type items not classified in different items in equity. The Entity has not traded with other equity instruments and therefore has none on its books at the 2014 reporting closes.

- Own shares: this category includes the amount of all own equity instruments held by the Entity. As the Entity has not operated with own shares, there are no such securities on its books by the end of 2014.

- Deductions are formed by the corresponding goodwill and other intangible assets integrated into equity. As a result of Citibank Spain business acquisition, €182 million of intangible assets with a finite useful life have been identified. These are mainly related to the relationship with credit cards customers acquired, as well as a goodwill of €167 million.

Tier 1 Capital includes CET 1 Capital plus Additional Tier 1 Capital (hereinafter, “AT1”). AT1 is composed of hybrid computable instruments issues net of AT1 deductions. By December 31, 2014, bancopopular-e has no AT1, since it has no such instruments issued. For this reason, CET 1 and Tier 1 Capital match.

Tier 2 Capital has a lower permanence and stability degree than the core capital. By December 2014, the Entity has not Level 2 capital instruments issued, corresponding all the amount of this capital to the credit risk general provision, with the established regulatory limits.

5.3 Own funds information by 31 December, 2014

The following table summarizes the main elements that form bancopopular-e´s eligible own funds for solvency purposes, both Level I regular and additional and Level II, in accordance with the criteria established in the second part of the RRC (in thousand euro):

COMMON EQUITY TIER 1 CAPITAL	
Capital Instruments and the related share premium	432.172
Retained earnings	28.623
Other reserves	123.247
Common Equity Tier 1 (CET 1) capital before regulatory adjustments	**584.042**
Common Equity Tier 1 (CET 1) capital: regulatory adjustments	
(-) Goodwill	-166.107
(-) Other intangible assets	-174.543
(-)Total Common Equity Tier 1 (CET 1) capital regulatory adjustments	**-340.650**
Capital de nivel 1 ordinario	**243.392**
Additional Tier 1 (AT1) capital: instruments	
Additional Tier 1 (AT1) capital before regulatory adjustments	**0**
Additional Tier 1 (AT1) capital: regulatory adjustments	
Additional Tier 1 (AT1) capital	**0**
Tier 1 capital (T1= CET1 + AT1)	**243.392**
Tier 2 (T2) capital: instruments and provisions	
Credit risk adjustments	18.832
Tier 2 (T2) capital before regulatory adjustments	**18.832**
Tier 2 (T2) capital: regulatory adjustments	
Tier 2 capital	**18.832**
Total capital (TC= T1 + T2)	**262.225**
Total risk weighed assets	**2.107.202**
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk exposure amount)	11,55%
Tier 1 (as a percentage of risk exposure amount)	11,55%
Total capital (as a percentage of risk exposure amount)	12,44%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7,05%
Amounts below the thresholds for deduction (before risk weighting)	
Deferred tax assets arising from temporary differences (amount below 10% threshold and net of eligible short positions)	10.954
Applicable caps on the inclusion of provisions in Tier 2	
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	22.033
Cap on inclusion of credit risk adjustments in T2 under standardised approach	18.832
Capital instruments subject to phase-out arrangements	
Does not apply	

Table 2: Own funds information

6 CAPITAL REQUIREMENTS

6.1 Amount of capital requirements by type of risk

Bancopopular-e applies the Standard Method for calculating its capital requirements. The amount (in thousand euro rounded) shown in the following chart, represents the 8% of risk-weighted exposures.

TYPE OF RISK	REQUIRED AMOUNT (thousand euro)
Credit risk	121.039
Market risk	0
Operational risk	47.537

Table 3: Capital requirements by type of risk

6.1.1 Credit risk minimum own funds requirements

Bancopopular-e applies the standard method for calculating capital requirements. The amount shown below in rounded thousand euro, represent the risk-weighted exposures. Consequently, a requirement of €121.039 thousand is obtained. The table below presents a breakdown of the capital requirements by exposure category:

EXPOSURE CATEGORY	AMOUNT (thousand euro)
Central administration or central banks	31.143
Regional administrations or local authorities	0
Public sector entities	2.850
Multilateral Development Banks	0
International Organizations	0
Entities	27.677
Enterprises	96.566
Minority exposures	1.256.611
Exposures secured by mortgages on real estate	4.564
Exposures in default	33.055
Entries associated with particularly high risks	17
Covered bonds	0
Exposures to institutions and companies with short-term credit assessment	0
Participations or shares in collective investment	0
Equity exposures	2.110
Other	58.395
TOTAL RISK-WEIGHED EXPOSURE	1.512.990
CREDIT RISK CAPITAL REQUIREMENTS	121.039

Table 4: Credit risk capital requirement. Standard method

6.1.2 Market risk minimum own funds requirements

Since the Entity does not have a trading portfolio, is not subject to market risk capital requirements.

6.1.3 Operational risk minimum own funds requirements

Bancopopular-e applies the standard method for the calculation of minimum capital requirements for operational risk, having complied with the formalities relating to the application for its use. The determination of capital requirements under this method is based on the calculation of the relevant income average of the last three years (in this case, 2012, 2013 and 2014).

Relevant revenues should be assigned to the business lines that are set in the regulation, for the application of the corresponding weighting coefficients, which determine the capital requirements for this risk.

By December 31, 2014, the calculation described above produces a capital requirement result for operational risk of €47.537 thousand.

6.2 Internal Capital Adequacy Assessment

Currently, the Entity is using as a method for assessing internal capital the simplified option, as provided in the "Internal Capital Adequacy Assessment Guide" published by the Bank of Spain.

The assessment of internal capital under the simplified option is done by simply aggregating the requirements of minimum capital requirements for credit risk (including credit risk of securitized exposures), market risk and operational risk, plus additional risks to consider for the Internal Capital Adequacy Assessment (credit concentration risk, liquidity, interest rate and other risks).

6.3 Capital buffers

At December 31, 2014 the Entity is not subject to any capital buffer provided in the regulation (preservation of capital, anti-cyclical and systemic). The current implementation of Directive CRD IV in the applicable law provides that these mattresses will apply gradually from 2016.

7 INFORMATION REGARDING CREDIT RISK

7.1 Definitions for accounting purposes of 'past due' and 'impaired'

The Entity uses the definitions for accounting purposes of “past due” and “impaired” used in the Circular 4/2004 of the Bank of Spain, and its later amendments, on public and confidential financial reporting rules and formats. These definitions are as follows:

- Non-performing assets due to customer default (past-due). It includes the total amount of debt instruments that have amounts due on principal, interest or any other cost agreed by contract, with more than three months old, regardless of its holder and guarantee, unless they are classified as write-offs; and the contingent liabilities in which the debtor has defaulted.

  This category also includes the amounts of all transactions of a client when the balances classified as non-performing due to customer default exceed 20% of the amounts to be recovered. For the purposes of determining the percentage indicated, the numerator will include credit balances receivable and past due on principal, interest or any past-due or impaired doubtful operations expenses. The denominator will include all monetary risks to be recovered, excluding interests not accrued. If this percentage exceeds 20%, both monetary and contingent risks will be transferred to doubtful, except for non-financial guarantees.

- Impaired assets are considered those debt instruments, as well as contingent liabilities and commitments, for which there is objective evidence of impairment. This basically refers to the existence of unpaid amounts, refinancing, breaches and data that evidences the possibility of not recovering all agreed future flows, or in the case of capital instruments, of not recovering their book value.

7.2 Description of the approaches and methods adopted for determining specific and general credit risk adjustments

The Entity has used the parameters established by the Bank of Spain based on its experience and information on the sector, which determine the method and amount to be used to cover inherent impairment losses incurred in debt instruments and contingent risks classified as normal risk. This method of determining the inherent impairment losses coverage incurred in debt instruments is carried out by applying certain percentages to debt instruments not measured at fair value through changes in the income statement and contingent risks classified as normal risk. The aforementioned percentages vary depending on the classification of those debt instruments under normal risk in the following subcategories:

- Without any appreciable risk.
- Low risk.
- Medium-low risk.

- Medium risk.
- Medium-high risk.
- High risk.

Recognition in the income statement of the accrual of interest based on the contractual terms is interrupted for all debt instruments individually classified as impaired and for those for which impairment losses for having amounts with more than 3 months past-due had been collectively calculated.

7.3 Total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes

The following table shows, itemise by exposure category for the standard method, the amount of credit risk exposure after the application of corrections and value adjustments for asset impairment. In addition, the exposure to SMEs is specified in each case[3]:

EXPOSURE CATEGORY	Original exposure (thousand €)	Of which SME	Value adjustments and provisions	Exposure net of value adjustments and provisions (thousand €)
Central administration or central banks	79.843			79.843
Regional administrations or local authorities	10			10
Public sector entities	3.222			3.222
Multilateral Development Banks	0			0
International Organizations	0			0
Entities	531.444			531.444
Enterprises	97.722	7.721		97.722
Minority exposures	1.692.359	70.934	-3	1.692.356
Exposures secured by mortgages on real estate	11.600			11.600
Exposures in default	127.862		-94.807	33.055
Entries associated with particularly high risks	29		-18	11
Covered bonds	0			0
Exposures to institutions and companies with short-term credit assessment	0			0
Participations or shares in collective investment	0			0
Equity exposures	1.468			1.468
Other	68.993			68.993
TOTAL EXPOSURE	2.614.552	78.655	-94.828	2.519.723

Table 5: Credit risk exposure net of value adjustments and provisions

7.4 Geographic distribution of the exposures

The table below sets out the lending investment by activity and geographical area, based on the borrower's place of residence, at 31 December 2014, by subject:

[3] Equity exposures has no maturity.

€thousands 2014	Total	SPAIN	REST EU	AMERICA	REST OF WORLD
1. Credit institutions	260.038	260.038	-	-	-
2. Public authorities	102	102	-	-	-
2.1. Central government	87	87	-	-	-
2.2.Other	15	15	-	-	-
3. Other financial institutions	725	725	-	-	-
4. Non-financial corps and indiv. er	412.025	411.359	371	164	131
4.1Construction and real estate developn	-	-	-	-	-
4.2 Civil engineering	1.605	1.597	6	1	1
4.3 Other purposes	410.420	409.762	365	163	130
4.3.1Large companies	20.726	20.721	2	3	-
4.3.2. SMEs and individual entrepreneur	389.694	389.041	363	160	130
5. Other households and non-profit	1.715.935	1.712.347	1.598	1.204	786
5.1. Housing	11.218	11.218	-	-	-
5.2. Consumption	1.675.851	1.672.859	1.503	740	749
5.3. Other purposes	28.866	28.270	95	464	37
Subtotal	2.388.825	2.384.571	1.969	1.368	917
6. Less: Impairments not allocated to specific loans	22.032				
Total	2.366.793				

Table 6: Lending investment international geographical distribution

The same breakdown distributed by region is shown in the following tables:

€thousands 2014	TOTAL	Andalusia	Aragon	Asturias	Balearics	Canaries	Cantabria
1. Credit institutions	260.038	3	-	-	-	-	-
2. Public authorities	102	5	-	-	-	1	-
2.1. Central government	87	-	-	-	-	-	-
2.2.Other	15	5	-	-	-	1	-
3. Other financial institutions	725	-	-	-	-	-	-
4. Non-financial corps and in	411.359	21738	971	1830	3.217	3.781	1012
4.1Construction and real estate de	-	-	-	-	-	-	-
4.2 Civil engineering	1597	279	11	34	64	46	8
4.3 Other purposes	409.762	21459	960	1796	3.153	3.735	1004
4.3.1Large companies	20.721	342	110	207	73	102	191
4.3.2. SMEs and individual entre	389.041	21.117	850	1589	3.080	3.633	813
5. Other households and non	1712.347	278.640	40.921	43.275	50.875	89.106	18.880
5.1. Housing	11.218	658	95	-	2	-	26
5.2. Consumption	1672.859	271001	40.639	42.791	50.233	88.220	18.756
5.3. Other purposes	28.270	6.981	187	484	640	886	98
Subtotal	2.384.571	300.386	41892	45.105	54.092	92.888	19.892
6. Less: Impairments not allocated to specific loans	22.032						
Total	2.362.539						

€thousands 2014	Castilla La Mancha	Castilla y León	Catalonia	:xtremadura	Galicia	Madrid	Murcia
1. Credit institutions	-	-	-	-	-	260.035	-
2. Public authorities	-	-	-	-	4	90	-
2.1. Central government	-	-	-	-	-	87	-
2.2.Other	-	-	-	-	4	3	-
3. Other financial institutic	-	-	-	-	-	725	-
4. Non-financial corps an	3.367	6.978	20.170	1012	10.459	319.117	1800
4.1Construction and real estat	-	-	-	-	-	-	-
4.2 Civil engineering	52	82	150	10	152	515	50
4.3 Other purposes	3.315	6.896	20.020	1.002	10.307	318.602	1750
4.3.1Large companies	20	106	1550	26	618	16.592	76
4.3.2. SMEs and individual er	3.295	6.790	18.470	976	9.689	302.010	1674
5. Other households and r	60.985	85.664	285.225	29.405	113.020	353.197	38.501
5.1. Housing	397	183	1640	10	40	8.021	-
5.2. Consumption	59.277	83.690	280.454	28.466	111.176	338.823	38.171
5.3. Other purposes	1311	1791	3.131	929	1804	6.353	330
Subtotal	64.352	92.642	305.395	30.417	123.483	933.077	40.301
6. Less: Impairments not allocated to specific loans							
Total							

€thousands 2014	Navarra	Aut. Communit of Valencia	Basque Country	La Rioja	Cueta and Melilla
1. Credit institutions	-	-	-	-	-
2. Public authorities	-	2	-	-	-
2.1. Central government	-	-	-	-	-
2.2.Other	-	2	-	-	-
3. Other financial institutions	-	-	-	-	-
4. Non-financial corps and indiv. e	1489	8.413	5.424	379	202
4.1Construction and real estate developr	-	-	-	-	-
4.2 Civil engineering	14	88	38	3	1
4.3 Other purposes	1475	8.325	5.386	376	201
4.3.1Large companies	79	234	376	14	5
4.3.2. SMEs and individual entrepreneu	1396	8.091	5.010	362	196
5. Other households and non-profi	16.199	136.570	54.600	7.531	9.753
5.1. Housing	-	36	110	-	-
5.2. Consumption	15.905	134.634	53.458	7.455	9.710
5.3. Other purposes	294	1900	1032	76	43
Subtotal	17.688	144.985	60.024	7.910	9.955
6. Less: Impairments not allocated to specific loans					
Total					

Table 7: Lending investment geographical distribution by region

7.5 Residual maturity breakdown of all the exposures

The following table shows the detail of credit risk exposure in thousand euro, broken down by their residual maturity breakdown:

RESIDUAL MATURITY BREAKDOWN			
Sector	**Less than 1 year**	**More than 1 year**	**Undefined**
Central administration or central banks	63.345	16.498	
Regional administrations or local authorities		10	
Public sector entities	2.653	569	
Multilateral Development Banks			
International Organizations			
Entities	131.792	399.652	
Enterprises	80.460	17.262	
Minority exposures	945.488	746.870	
Exposures secured by mortgages on real estate	30	11.570	
Exposures in default	8	127.854	
Entries associated with particularly high risks	29		
Covered bonds			
Exposures to institutions and companies with short-term credit assessment			
Participations or shares in collective investment			
Equity exposures			1.468
Other exposures	66.697	2.296	
TOTAL	**1.290.502**	**1.322.581**	**1.468**

Table 8: Exposure detail by residual maturity

7.6 Amount of impaired exposures and past due exposures by significant industry

The following tables provide for each industry, the value of the impaired exposures and past due exposures, separately, and their associated specific and general credit risk adjustments:

IMPAIRED EXPOSURES BY INDUSTRY (thousand €)				
Industry	Original exposure	Value adjustments		
		Total	Specific	General
Agriculture, cattle farming, hunting and forestry	192	124	124	0
Fishing	27	23	23	0
Extractive industries	20	12	12	0
Manufacture of food products, beverages and tobacco	60	38	38	0
Chemical industry	22	23	23	0
Glass, ceramics and building materials	47	31	31	0
Metallurgy and manufacture of metallic products	305	282	282	0
Manufacture of transport equipment	33	26	26	0
Other manufacturing industries	472	411	411	0
Supply and distribution of electricity and gas	26	26	26	0
Water supply	40	30	30	0
Building (excluding property development)	913	835	835	0
Property development	21	12	12	0
Commerce and repairs	1.698	1.727	1.727	0
Transportation and warehousing	478	375	375	0
Catering	438	399	399	0
Information and communication	145	120	120	0
Real estate activities	69	52	52	0
Professional, scientific and technical activities	420	428	428	0
Administration and auxiliary services	746	723	723	0
Education	35	23	23	0
Human health and social work	109	71	71	0
Arts, entertainments and recreation activities	91	75	75	0
Other services	351	352	352	0
Insurances	16	13	13	0
Other financial intermediation	49	32	32	0
Acquisition of main residence	42	0	0	0
Acquisition of other current assets and services	117.349	88.780	88.780	
TOTAL	**124.212**	**95.041**	**95.041**	**0**

Table 9: Detail of impaired exposures by industry

PAST DUE EXPOSURES BY INDUSTRY (thousand €)				
Industry	Original exposure	Value adjustments		
		Total	Specific	General
Agriculture, cattle farming, hunting and forestry	192	124	124	0
Fishing	27	23	23	0
Extractive industries	20	12	12	0
Manufacture of food products, beverages and tobacco	60	38	38	0
Chemical industry	22	23	23	0
Glass, ceramics and building materials	47	31	31	0
Metallurgy and manufacture of metallic products	305	282	282	0
Manufacture of transport equipment	33	26	26	0
Other manufacturing industries	472	411	411	0
Supply and distribution of electricity and gas	26	26	26	0
Water supply	40	30	30	0
Building (excluding property development)	913	835	835	0
Property development	21	12	12	0
Commerce and repairs	1.698	1.727	1.727	0
Transportation and warehousing	478	375	375	0
Catering	438	399	399	0
Information and communication	145	120	120	0
Real estate activities	69	52	52	0
Professional, scientific and technical activities	420	428	428	0
Administration and auxiliary services	746	723	723	0
Education	35	23	23	0
Human health and social work	109	71	71	0
Arts, entertainments and recreation activities	91	75	75	0
Other services	351	352	352	0
Insurances	16	13	13	0
Other financial intermediation	49	32	32	0
Acquisition of main residence	42	0	0	0
Acquisition of other current assets and services	100.161	76.154	76.154	0
TOTAL	**107.023**	**82.415**	**82.415**	**0**

Table 10: Detail of past due exposures by industry

7.7 Amount of the impaired exposures and past due exposures, broken down by significant geographical areas

The following tables provide the amount of the impaired exposures and past due exposures of the Entity, broken down by geographical areas:

IMPAIRED EXPOSURES BY GEOGRAPHICAL AREA (thousand €)				
Area	Original exposures	Value adjustments		
		Total	Specific	General
Africa	76	62	62	0
Central America	24	20	20	0
South America	335	268	268	0
EEUU	8	5	5	0
Europe	123.770	94.685	94.685	0
Spain	123.610	94.580	94.580	0
TOTAL	**124.212**	**95.041**	**95.041**	**0**

Table 11: Amount of impaired exposures by geographical area

PAST DUE EXPOSURES BY GEOGRAPHICAL AREA (thousand €)				
Area	Original exposures	Value adjustments		
		Total	Specific	General
África	76	62	62	0
America Central	24	20	20	0
America del Sur	335	268	268	0
Estados Unidos	8	5	5	0
Europa	106.581	82.059	82.059	0
España	106.421	81.954	81.954	0
TOTAL	**107.024**	**82.415**	**82.415**	**0**

Table 12: Amount of past due exposures by geographical area

7.8 Reconciliation of changes in the specific and general credit risk adjustments for impaired exposures

The movement during 2013 and 2014 the balance of value adjustments for asset impairment of loans and receivables caption, in thousand euro, is as follows:

€ thousands	Specific provision	Generic provision	Country-risk provision	Total
Opening balance 2013	**13.458**	-	**129**	**13.587**
Allocated to profit or loss:				
Additions in the year	17.932	-	12	17.944
Current year releases	3.320	-	-	3.320
Reversal of impairment losses recognised	6.112	-	59	6.171
Provisions applied	15.260	-	-	15.260
Other changes and transfers	(532)	-	-	(532)
Closing balance at 31 December 2013	**6.166**	-	**82**	**6.248**
Adjustment to fair value (Note 7)	**94.822**	**21.299**	-	**116.121**
Allocated to profit or loss:				
Additions in the year	34.162	853	252	35.267
Current year releases	3.978	-	-	3.978
Reversal of impairment losses recognised	1.457	725	30	2.212
Provisions applied	23.590	-	-	23.590
Other changes and transfers	(11.297)	605	-	(10.692)
Closing balance at 31 December 2014	**94.828**	**22.032**	**304**	**117.164**

Table 13: Changes in the value adjustments and provisions for the period

The information on the movement of value adjustments for impairment of assets (loans, available-for-sale portfolio and non-current assets) and impairment of contingent liabilities in the year 2014 is disclosed in the Notes on the annual accounts of the Entity.

7.9 Exposure to securitisation

This information is required for institutions calculating risk weighted exposure amounts in accordance with Part 3, title II, chapter 5 or own funds requirements in accordance with articles 337 or 338. Consequently, the Entity is exempt from this obligation.

8 UNENCUMBERED ASSETS

According to the rules established by the European Banking Authority, committed assets are all those which have been provided or received as collateral in operations to obtain liquidity and those assets associated to liabilities for any other reason different to funding.

Under the guidelines issued by the EBA June 27, 2014 (EBA / GL / 2014/03) on disclosure of encumbered and unencumbered assets, and the templates therein that must be completed, the following information on bancopopular-e, referring to December 31, 2014 is provided below:

- Encumbered and unencumbered assets carrying amount and fair value (in thousand euro):

	ENCUMBERED ASSETS		UNENCUMBERED ASSETS	
	Carrying amount	Fair value	Carrying amount	Fair value
Equity instruments	-	-	183.673	183.673
Debt securities	-	-	250.451.881	250.453.707
Other assets	-		2.581.210.204	
Assets of the reporting institution	-		**2.831.845.758**	

Table 14: Encumbered and unencumbered assets

According to the table above, the Entity has no committed assets by December 2014.

- Taking into account that bancopopular-e has no collaterals received and has not issued financial assets by the reference date, there is no need to include the information required by the other two additional informative templates of the EBAs guide in this paragraph.

9 EXPOSURES IN EQUITIES NOT INCLUDED IN THE TRADING BOOK

9.1 Equity instruments accounting techniques and valuation methodologies

In paragraph 14, letters e, f and h of bancopopular-e's annual accounts the accounting principles and criteria applied in relation to equity instruments and shares are explicitly shown, as set by International Financial Reporting Standards adopted by the European Union and in force as of December 2014 ("EU-IFRS") 31, and taking into account the provisions of Circular 4/2004 of 22 December of the Bank of Spain and its further amendments.

In accordance with the criteria established in this accounting rules, two kind of portfolio can be distinguished: portfolios held with the intention of sale and those others held for strategic purposes. Specifically, debt securities not classified as held to maturity, other financial assets at fair value with profit and loss changes, loans and receivables or trading portfolio and equity instruments of entities that are not subsidiaries, joint ventures nor associates and that are not included in the categories of trading, non-current assets for sale or other assets at fair value with profit and loss changes.

Financial assets are initially recorded, in general, at their acquisition cost, which is generally the price of the transaction. Subsequent valuations at each balance sheet date is done according to the following criteria:

- Financial assets are measured at fair value (usually its trading price) except for loans, the portfolio held to maturity, Equity instruments for which the fair value cannot be determined in a sufficiently objective manner and financial derivatives that have such equity instruments as their underlying asset and are settled by their delivery. When there is no market price for a particular financial asset, the fair value established in recent transactions involving similar instruments value or this does not exist, sufficiently verified valuation models (such as discounted cash flow, multiples, etc.) are used to estimate their fair value. It must be also taken into account the specific features of the asset to be measured and, particularly, the various types of risk associated with the financial asset.

- Investment and lending portfolio hold to maturity are measured at amortized cost, using the effective interest rate method for its determination. Amortized cost is the acquisition cost of a financial asset less any principal repayment and the portion allocated to the consolidated income statement, calculated using the effective interest method, of the difference between the initial cost and the corresponding redemption value at maturity, minus any value reduction due to impairment recognized directly as a reduction in the amount of the asset or through a value adjustment account. In the case they are covered by fair value hedges, any change that occur in their fair value relating to the risk or risks covered by the hedge is recorded.

- The shares in the capital of other entities classified as assets available for sale of which fair value cannot be determined in a sufficiently objective manner and the financial derivatives that have those instruments as their underlying and are settled by their delivery are kept at their acquisition cost corrected by impairment losses incurred, if any.

- The shares in the capital of subsidiaries, joint ventures and associates are recorded at their, acquisition cost, adjusted where appropriate, by the impairment losses that have occurred.

9.2 Balance sheet value and fair value of exposures in equities not included in the trading book

The following table shows the amounts of shares and other capital instruments not included in the trading book:

	Fair value (thousand €)	Balance sheet value (thousand €)
Availablefor-sale financial assets	**1.016**	**1.016**
Debt securities	832	832
Equity instruments	184	184
Financial liabilities	**1.284**	**1.284**
TOTAL	2.300	2.300

Table 15: Financial assets and liabilities. Fair value and balance sheet value

The total amount of financial assets available for sale comprises debt securities issued by residents (81.9%) and shares in Spanish entities (18.1%).

9.3 Cumulative realised gains or losses arising from sales and liquidations of the exposures in equities not included in the trading book

The detail of gains or losses on the sale of bancopopular-e's shares and capital instruments recorded during 2014 is as follows:

	AMOUNT (thousand €)
Revenues	17
Losses	10
Gains/Losses on financial instruments	**7**

Table 16: Sell or liquidation results

9.4 Total unrealised gains or losses included in own funds

There have been no valuation adjustments in equity at December 31, 2014 produced by changes in the fair value of the items included under financial assets available for sale.

10 EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

Structural interest rate risk is defined as the Entity's exposure to changes in market interest rates derived from the different term structure of maturities and depreciation of assets and liabilities of the balance sheet of the Entity.

For the monitoring and control of interest rate risk, maturities are analysed. To this end, the Entity's balance sheet amounts are divided into several structured buckets according to the terms of interest rates renewal, facilitating the location of the Entity's exposure level to this kind of risk.

Quantitatively, the Entity uses two types of metrics to calculate the possible impact that the movement of interest rates (for an upturn of 250 basis points and a downturn of 100 basis points) would have on net interest income and on the economic value of the Entity. The calculated impacts by December 31, 2014 are:

	250 b.p rise	100 b.p drop
Change in net interest income to +250 or -100 pb movement / Net interest Estimated	-5,03%	2,05%
Economic Value of Equity (EVE)	1,08%	-0,18%

Table 17: Interest rates movements' impact

11 REMUNERATION POLICY

The information presented in this chapter refers to Article 450, part 8, of the RRC: "Remuneration policy".

11.1 Information concerning the decision-making process used for determining the remuneration policy of bancopopular-e

The current remuneration policy of bancopopular-e inherits practices of proven effectiveness and rigor from Citi Group. This policy has been presented to the Board and is being adapted to the new reality of the Entity. In order to facilitate this adaptation, the Entity counts on the human resources consultancy Peoplematters collaboration, recognized expert in this field, with experienced professionals in the field of Compensation. This consultancy is currently designing the new guidelines that will govern this field.

Regarding the Appointments and Remuneration Committee of bancopopular-e, the following table shows its membership by 31 December 2014[4]:

Appointments and Remuneration Committee
Members
Mr. Xavier Durand (independent)
Mr. José Manuel Piñeiro Becerra
Mr. Rich John Noel
Mr. Krzysztof Drozd
Mr. Francisco Javier Lleó Fernández

Table 18: Appointments and Remuneration Committee membership

The information regarding the tasks of this committee is described in paragraph 4.5, “Description of the information flow on risk to the management body”, of the “Internal Governance” section.

[4] The last of those attending the Committee is the secretary.

11.2 Information on link between pay and performance: main design characteristics of the remuneration system

By December 31, 90% of staff is subject to variable compensation plans that link individual performance, departmental business and remuneration. The most common formula relies on the periodic measurement and payment of the variable amounts, in periods of less than one year. All variable remuneration plans formulated relate their accrual to quality criteria, and invalidate their calculation in cases of misconduct or breach of internal rules.

On the one hand, variable remuneration of the central services staff consists in the annual determination of an amount out of a budget linked to the results of the company, and approved by the financial area and the Board of Directors. These amounts are distributed for its further allocation by departments. Reaching corporate and departmental objectives is contemplated in this distribution. On the other hand, the Director of each area manages its budget by mutual agreement with the Senior Management, and with the approval of the Board of Directors.

By the reference date, the variable remuneration accounts for 15% of the fixed remuneration of the staff. The ratio between fixed and variable remuneration, set in accordance with Article 94(1) (g) of Directive 2013/36/EU, is 1:1, so the Entity does not surpass this limit.

The staff identified with variable payments exceeding €50,000 per year defers a 50% of the amount over 3 years, and both the deferral and payments are subject to withholding or pay-back clauses against actions that have involved an unauthorized risk for the company.

11.3 Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based

The discretionary variable remuneration policy (annual bonus) of bancopopular-e is linked to results through the budget estimation in line with business results.

The variable remuneration policy (incentive plans) of the Entity is based on both business figures scope criteria, such as the number of card applications, cost control or cost per account, and on quality and control factors.

11.4 Determination of the “Identified Collective”

The "Identified Collective "is formed by those categories of staff whose professional activities significantly affect the risk profile of the Entity. The Collective Identified of bancopopular-e is formed by the following positions:

- The Heads of Cards Strategic Decision analysis, Customers and Portfolio, Risks and Credit Policy and Cards Sales.
- Chief Operating Officer
- Corporate Agreements Manager
- General Manager Cards
- General Manager Retail

11.5 Quantitative information on remuneration, broken down by business area for the Sector Identified

Under the principle of proportionality underlying the rules that guide the preparation of this report and given the short life that bancopopular-e has as a single entity on the reference date, the information in the table below shows the actual total remuneration by December 2014,for the only business area of the Entity:

Ámbito de actividad	Nº personas	Retribución total (euros)
Consumo	9	2.081.810

Table 19: Current remuneration of the "Identified Collective"

With regard to information on remuneration by staff category, it should be noticed that there is currently no personnel hired as senior management, according to the description of this category provided in the national employment regulations.

The following table shows the amounts of remuneration by December 2014, divided into fixed and variable remuneration and broken down for this category into pecuniary benefits and deferred shares, as well as the number of beneficiaries:

Number of beneficiaries	Fixed Remuneration (€)	Variable Remuneration (€)		
		Pecuniary	Deferred pecuniary	Deferred shares
9	1.526.698	357.816	144.148	53.148
		555.112		

Table 20: Amount of fixed and variable remuneration of the "Identified Collective"

The amounts of outstanding deferred compensation, both in cash and in shares, amounts to €16,354 each.

By December 2014, no new sign-on and severance payments have been made.