Information of Prudential Relevance

Bancopopular-e

On 31st December 2015

***From June 2016 the Bank rebranded to WiZink Bank, S.A.**

Index

TABLES INDEX

1 INTRODUCTION

This "Information of Prudential Relevance" report of bancopopular-e, referred to 31 December 2015, 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(1) legislation 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, have been also taken into account for the preparation of this report[1], 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.

The Audit and Risk Committee of bancopopular-e has approved this document of "Information of Prudential Relevance" with prior verification by a third-party independent expert of the information that in this document is not covered by the yearly audit of financial statements.

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

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

2 SCOPE

The information presented in this document is referred to bancopopular-e, S.A. (hereinafter " the Entity"), individual credit 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.

In turn, it is important to mention the approval by the Board of Directors of the Bank of two corporate operations related to business acquisition of Credit Cards business of Barclays in Spain and Portugal and Credit and Debit Cards of Banco Popular in Portugal, although it took place after 2015 fiscal year closure. These acquisitions shall become effective upon granting corresponding legal and regulatory authorizations. Bank Shareholders will increase capital in the amount required to fulfill said acquisitions and maintain current financial solvency.

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.

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:

- 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 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.
- Review and approve the liquidity self-assessment process.
- Determine the Entity's target capital.

Apart from this, during 2015 a 3-year-time frame appetite statement has been designed, institutionally approved, and implemented. Additionally and accompanying this comprehensive view of the risks, a **Risk Assessment** exercise has been implemented which allows 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 continues engaged in an evolution 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.
- **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.

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.

The products originally from Grupo Banco Popular currently present 2 different admission scorings. Bancopopular-e applies one only monitoring to the portfolio acquired to Grupo Banco Popular. On the other hand, the products originally from Citibank Spain offer 3 types of admission scorings and 5 types of moniting scorings.

The portfolio of products originally from Citibank Spain has available a Data Warehouse (hereinafter "DWH") containing information about the complete products cycle, that is, detailed data about the admission process, conduct and demographical data, data originated from accounts maintenance programmes (increase credit lines, instant cash, authorizations, etc.) and credit conduct. On the other hand, the portfolio from Grupo Banco Popular at the end of 2015 has available a simple DWH to consult monthly closures and historical data in HOST (updated weekly) through a series of reports.

Full cycle of risk is actively managed - from the pre-analysis until it is fully extinguished. For this end, the Entity has a limits structure based on the goal of keeping the appropriate level of exposition to risks in line with its risk profile. Business success does not exclusively rely on client acquisition, but on maintaining a robust monitoring policy of customers and mitigation necessary in case of breach.

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.

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. Additionaly, the Entity has developed methodologies and models allowing to quantify risk elements and basic consequences.

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.

Bancopopular-e has defined a business model with no consideration for operating in foreign currency. The bank operates exclusively in Euros with the customers, both assets and liabilities.

However, the bank does sporadically operates with currencies linked to corporate projects, such as TSA reached with Citibank in the frame of the cards business acquisition by Bancopopular-e. According to the current policy of the bank the positions are to be covered automatically eliminating immediately the risk of exchanging rates. In this line, similar operations are foreseen in the frame of the acquisition of the card business of Barclays Spain and Portugal. The management policy to be applied in this case is exactly the same: closing a hedge coinciding with the transaction closing date for the full period of services billing in foreign currency.

Therefore, on the whole, the exposure to the exchange rates risk by the Entity is classified as very low or null.

3.3 Market Risk

The Entity does not have a trading portfolio since it does not present rent positions 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.

According to the model of the Entity, additionally to technology caused risks (risk of technology transformation and ciberattacks) as well as internal and external fraud, there have been included other risks of non-technological kind specific to bancopopular-e - such as conduct 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

The Operational Risk Management (ORM Policy) and the Manager's Control Assessment Standards (hereinafter "MCA") represent policy and standards that currently rule the internal control setting of bancopopular-e. 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 y 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 department of Risk Control supervises the Management Framework of the second line defense.

3.4.2 Structure and organization of the Risk Control

The department of Risk Control is lead by the Chief Risk Officer (CRO), who plays a key role in the definition of risk apetite, as well as in monitoring actively the risk profile of the Entity.

The Risk Control 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:

- Identify, anticipate and mitigate risks that could affect business goals, as well as minimize operational risk events and loss, consistent with the regulatory requirements from Basilea Committee. This includes control of all risk types to which the Entity may be exposes, both from financial perspective (credit, market, liquidity, interest rate, exchange rate, etc.) andnon-financial (operational, reputation, strategic and business, etc.)
- Provide a full vision of risk exposure of our Entity, management and control setting, being responsible of development and implementation of Risk Appetite Framework.
- Ensure the adequate establishment of the three Lines of Defense in bancopopular-e, such as organizational structure for risk management and internal control.
- 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.

- 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.
- To manage properly the Management Framework of Operational Risk (OR), ensuring implementation and coordination of a robust programme of Self-Assessment of the Internal Control Environment (MCA) in all areas of the bank, as well as an efficient management of Operational Losses with the aim of complying with the minimum conditions established by the Bank of Spain for calculating capital for OR.
- To ensure the proper management of Risk Control Governance, assisting and presenting monthly the most relevant information to Audit and Risk Committee, as well as leading quarterly BRCC Committee where the Executive Committee is informed of control environment status of the entity and of relevant weaknesses of control and compliance.

3.4.3 Scope and nature of credit risk reporting and measurement systems

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.

Furthermore, the control weaknesses identified in each area are known as issues. If weaknesses or gaps are identified in the implementation or execution of key controls, 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, Risk Control 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.

From December 2015 it is being developed the impementation project of a GRC (Governance, Risk, Compliance) tool that would address comprehensively not only the function of risk contol but also the functions of internal control, regulatory compliance and internal audit. This tool called ACCELUS provided by Thomson Reuters will stregthen management, monitoring and reporting of operational risk at entity level.

3.4.4 Policies for hedging and mitigating credit risk

The mitigation and prevention of operational risk policy in the Entity is based on the elaboration of contingency plans and continuity by the Department of Information Security and COB allowing to foresee possible future problems that might threaten in any way the continuity of business. 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 would require local work and if so, with what time urgency. Once formed the contingency plan, a vendor 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 and if possible vendor has the minimum impact in its daily activities. According to it, in each case, for a given activity several vendors are contracted to reduce risk exposure, or if it is only possible to hire a single vendor, this is required to have its own continuity plan.

3.5 Balance sheet structural interest rate risk

Balance Sheet structural interest rate is the possibility of suffering losses because of the potential impact of interest rate changes about benefits of the Entity or 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

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 and for optimising the balance sheet, assessing capital management and for supervising legal and regulatory restrictions on the deal and the different legal vehicles.

3.5.3 Scope and nature of credit risk reporting and measurement systems

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 environment 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.

3.5.4 Policies for hedging and mitigating credit 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 conduct 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. Additionally, in the process of elaboration of liquidity policies and interest rates management it will be considered to define additional procedures on hedge and risk mitigation. These policies will be implemented in 2016.

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”). Monitoring takes place daily using existing systems. These management reports show the daily gaps and position of contractual and non-contractual products of assets and liabilities in a base-line scenario and in a stress situation (Scenario 2), 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 2015, since the acquisition of Citibank's consumer banking, meeting the objectives set. 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 Strategy and Business Risk

It is 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 materializing an event of this type of risk.

Also, Bancopopular-e has established a Plan 2016 approved by the Board of Directors on December 16th , 2016. It is detailed therein the main initiatives to be implemented, business creating, aiming to acquire new clients and improve the efficiency of the existing ones. According to them Bancopopular-e establishes a series of initiatives.

The initiatives focused on reaching strategic goals during 2016 are complimentary. They are integrated in the current transformation environment of the Entity and also consider the developed funding plan in order to ensure consistency and capacity to implement such initiatives. Provided that the main income source of Bancopopular-e comes from loans granted, new clients acquisition will continue to be promoted and invested in as well as controlled credit expansion through the strongest distribution channels.

The Entity will continue promoting in 2016 the adequate management of the portfolio, always focusing on the customer. This management is focused on a series of action plans aiming to maximize portfolio's efficiency and growing benefits.

At last, the strategy and initiatives marked for 2016 are aligned with the transformation environment of bancopopular-e.

Business and Strategy Risk is identified as a material risk for the Entity. It is part of the Risk Appetite Framework approved by the Board of Directos of bancopopular-e.

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 scrutinized and approved before they are launched. There is an exhaustive control of sales practise and customer complaints. Regularly client satisfaction level is measured. This information is carefully analyzed 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 it is ensured appropriate adaptation to the legislation in force.

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.

3.7.3 Conduct Risk

Conduct Risk is the type of Risk to experiment material losses for an entity which are produced by providing financial services inadequately (including willful misconduct) to customers of the entity. We classify within this type of risk events related to legal procedures initiated by customers, malpractice in the sales of products or processing incorrectly of claims and complaints.

The entity has considered the materiality of this risk and made decisions accordingly – promoted by the Top Management – in order to provide even more solid systems of control, include the conduct risk in the corporate frame of management of risks and align it with the appetite risk of the entity ensuring staff to have adequate skills and expertise as well as good professional judgement to guarantee customers do not take unintended risk.

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:

- Material Risks that Entity might occur to face
- Allocation of financial capital required for each type of material risk
- Governance, management and risk control systems
- Own resources management
- Capital planning in stable and adverse scenario
- Improvement actions programme

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.

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

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 attendees.

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 the law 10/2014 of 26 June 2014 and explained in the Royal Decree 84/2015 of 13 February 2015 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.

The Board of Directors and the Remuneration and Appointments Committee are in charge of initial evaluation and continuous monitoring of the suitability of people in key positions in bancopopular-e, with the support of the structure and organization of the HR Department, as well as a specialized unity presenting specific skills in terms of recruitment and verification of professional history.

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 relevant representation of women in the management team of the Entity, representing a 46% 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 analyzing the highest levels. By the reference date, in the team that directly reports to the Senior Management, women receive an average 3% less of total compensation than men. Therefore, the Entity also meets with this compensation and remuneration target.

.

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

The system of Risk Management is aligned with Company’s strategy and also receives support from the Board of Directors and Top Management to ensure its efficiency.

The Entity has a solid information system to support the monitoring and delivery of information about risk in an efficient manner. It is based on the model of “3 lines of Defense” presenting enough separation and Independence to not compromising the effectiveness of the general model, and act in coordination aiming to maximize their performance and leverage their effectiveness.

CONTINUOS CONTROL OF RISK

<table>
<tr><th>1st line of Defense</th><th>2nd line of Defense</th><th>3rd line of Defense</th></tr>
<tr><td>Business and Support Areas</td><td>Risk Control</td><td>Internal Audit</td></tr>
<tr><td rowspan="3">Responsible for managing all risks in their area, develop and implement corresponding systems of internal control.

They have their own controlling bodies and periodically realizes self-assessments</td><td>Promotes within the Entity an adequate culture and solid environment and coordinates their assessment</td><td rowspan="3">Advises continuous improvements and independently provides assessment and evaluation</td></tr>
<tr><td>Regulatory Compliance</td></tr>
<tr><td>Ensures the applicable compliance as well as internal policies and procedures</td></tr>
</table>

Above the three lines of defense, the Board of Directors and its two delegate commissions are in charge of an adequate management and control of risk from the top level of the organization.

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 two 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.

Appointments and Remuneration Committee	
Description	Advises on appointments and dismissals of senior management. It proposes the remuneration of directors and the terms of their employment contracts.
Periodicity	Monthly during the transition period, and quarterly thereafter.
Members:	Members of the Board Rick Noel; Javier Moreno Navarro; Xavier Durand Secretary: Mr. Francisco Javier Lleó Fernández
Invited:	Cards General Management Retail General Management HR Management of BP-e Others: HR GBP
Regulatory Requirement	✓
Manager	HR Director BP-e

Audit and Risk Committee	
Description	Monitors strategy implementation and risk tolerance/apetite in 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 independence of the Internal Audit function. Propose selection, election and cessation of the Internal Audit responsible. Oversee the efficacy of the Entity's internal control. Approve the mandate and terms of the external audits.
Periodicity	Monthly
Members:	Members of the Board Krzysztof Drozd; Javier Moreno Navarro; Xavier Durand Secretary: Mr. Francisco Javier Lleó Fernández
Invited:	Cards General Manager Retail General Manager Directors: Credit Risk

	Finance Risk Control Audit
Regulatory Requirement	✓
Manager	Audit and Risk: Chief Risk Officer

In addition, the internal control environment of the Entity has established different Committees, explained below, to ensure that the different control functions of the Entity monitor and analyze systematically and regularly the different risks. According to the above, any important risk is escalated to the Senior Management.

Credit Risk Committee	
Description	Monitoring of main indications of credit risk and portfolio trending, enabling debate and decision making accordingly.
Periodicity	Monthly
Attendees	General Management and Directors Others: Risk Control Strategic decisions - Scoring and Advanced Analysis Credit Risk - Collections Strategy. Credit Risk - Collections. Credit Risk - Collection Administration. Credit Risk - Credit Provisions. Credit Risk - Fraud. Credit Risk - Recovery.
Regulatory Requirement	🛇
Manager	Cards General Management.

Committee of Organizational Structure and Hiring needs	
Description	Calibrating employees according to expectations in the organizational strategy. Decision of hiring needs, training, etc.
Periodicity	Yearly
Attendees	Directors and General Managers
Regulatory Requirement	
Manager	HR

Committee of Caribration and Performance	
Description	Calibration of performance reviews of the employees. Ensure the consistency of recruitment processes.
Periodicity	Yearly
Attendees	Directors and General Managers
Regulatory Requirement	
Manager	HR

Succession planning Committee	
Description	Analysis and review of succession planning and capacity and skills of decision, potential successions, successors hiring plans, compensation, incentives, etc.
Periodicity	Yearly
Attendees	Directors and General Managers
Regulatory Requirement	

Manager	HR

ALCO – Assets & Liabilities Committee	
Description	Management of all the activities related to the Balance Sheet
Periodicity	Monthly
Attendees	Directors and General Managers Others Finance - Regulatory Reporting Finance - Treasury
Regulatory Requirement	✓
Manager	Finance

Compensation Committee	
Description	Definition and approval of the estimated budget of salaries and approval of the salaries matrix for the next year (fixed + bonus). Approval of salaries of the employees for next year (fixed + bonus) resulting from performance review of employees and armonization exercise.
Periodicity	Four-month period
Attendees	Directors and General Managers Others: HR - Compensation, Benefits & Technology of HR
Regulatory Requirement	🛇
Manager	HR

Business Risk Control and Compliance Committee (BRCC)	
Description	Review of actions taken to control the incidents and evaluate the general effectiveness of the controls designed to mitigate operational risk by the main governing organisms.
Periodicity	Quarterly
Attendees	Directors and General Managers Directors and General Managers of Cards and Retail Others: Audit. Risk Control.
Regulatory Requirement	
Manager	Risk Control

Internal Control Organism.	
Description	Monitoring of application of policies and procedures related to PBC
Periodicity	Two-months period
Attendees	Directors and General Managers Representative of SEPBLAC Cards General Manager Retail General Manager Compliance - PBC Risk Control Operations General Manager Finance Legal Counseling and Compliance
Regulatory Requirement	✓
Manager	Legal & Compliance

Products Committee[2]	
Description	Approval and review of new products and services as well as monitoring of changes of existing products. Analysis and approval of the preparation of new products and determination of its caracteristics for its launch.
Periodicity	According to modification of products or definitions of new products
Attendees	Directors: Marketing Risk Control Credit Control Strategic Decisions Sales Operations Finance Legal Counseling and Compliance Portfolio Corporate Agreements (if applicable) Others Sponsors of presented Products (business)
Regulatory Requirement	🛇
Manager	Marketing

Committe of Operational Losses	
Description	Control of all losses and operational frauds, analyzing causes and suggesting possible corrective action plans
Periodicity	Monthly
Attendees	Risk Control Finance Compliance Audit Strategic Decisions Operations Fraud
Regulatory Requirement	🛇
Manager	Risk Control.

[2] This Committe has been formed, however it has not been celebrated in 2015.

Risk Collections Committee	
Description	Update of collections results and monthly recovery, compliance with the Plan, metrics of productivity and all related to collections and recovery
Periodicity	Monthly
Attendees	Directors: Credit Risk Others: Credit Risk Credit Risk - Collections Credit Risk - Recovery Credit Risk - Collections Administration Credit Risk - Strategy of collections Strategic Decision - Scoring and Anvanced Analysis
Regulatory Requirement	
Manager	Credit Risk

Review of Portfolio quality	
Description	Analysis of main trendings and indicators related to portfolio performance, new vintages, strategy of collections and fraude and results authorization
Periodicity	Monthly
Attendees	Credit - Credit Policy Credit - Collections Strategy Credit - Credit Provisions Credit - Collections Credit - Collections Administration Credit - Fraud Others: One person of each area is usually invited
Regulatory Requirement	🛇
Manager	Credit policy

Regulatory Projects Committee	
Description	Update of ongoing projects related to latest legal or regulatory news, analyzing progress of implementation and next steps, pointing those at risk
Periodicity	Monthly
Attendees	Directors: Operations General Management Others: Risk of Credit - Collections Strategy Finance - Tax Risk Control Audit Compliance - PBC HR - Compensation, Benefits & HR Technology responsible in the Committee Finance - Controlling Finance - Regulatory Reporting
Regulatory Requirement	🛇
Manager	Operations

Service Counsel	
Description	Analysis of customers claims through any channel (email, phone, etc.) and review and preparation of the Customer Satisfaction Survey
Periodicity	TBD
Attendees	TBD (Marketing, Legal, Operations General Management)
Regulatory Requirement	🚫
Manager	Operations

Cards Business Insurance Committee - BIC	
Description	Monitoring of all insurance sales and other emissions in order to track down and escalate any activity requiring resolution
Periodicity	Quarterly
Attendees	Directors: Legal Services and Compliance Others: Compliance Sales - Control of Sales Quality Sales - Sales of Portfolio Portfolio - Revolver & Transactor Risk Control Marketing - Business and Product Development
Regulatory Requirement	🚫
Manager	Compliance

MCA Committee	
Description	Follow-up of monthly results of MCA, KRIs, operational losses and analysis of any issue or incident in order to define corrective action plans
Periodicity	Monthly
Attendees	Directors: Risk Control Others: Risk Control Coordinators MCA
Regulatory Requirement	⊘
Manager	Risk Control

Deposits Committee	
Description	Deposits online Strategy and governance of price, terms and retencion plan upon expiration
Periodicity	Weekly/ Twoo-weeks period
Attendees	General Manager: Finance Sales Portfolio Marketing Others: Finance - Treasury Sales - Sales
Regulatory Requirement	⊘
Manager	Finance

The risk management model counts with internal control environment that guarantees adequate control of all risks providing a comprehensive vision of the risks. This control applies to all Departments of bancopopular-e and to all types of risks ensuring exposure and global risk profile to be in the frame of regulation established by both Board of Directors and regulating bodies.

Main functions ensuring an effective risk control are:

- Aggregate review and consolidation of all risks. Risk Control carries the function of reviewing all risks aiming to question and challenge regardless of mechanisms of management and risk control, providing a result of analysis for decision making by Top Management. To this end, Risk Control considers a series of reports containing aggregate assessment of all material risks (management of Risk Appetite Framework).

- Evaluation of mechanisms of internal control. Consists of periodic and systematic review of the series of processes necessary for risk control in order to guarantee their effectiveness and force (MCA management).

- Control of the Entity acting according to legal framework, internal procedures and regulatory and supervisory requirements by Compliance function.

- The review by Audit function as the third line of defense provides a revision independently from two first line of defense, ensuring policies, methods and procedures are adequate and integrated in the management. Internal Audit is independent from any other function and it aims to ensure different aspects to the Board of Directors and Top Management, contributing in this way to the protection and organization and its reputation.

Finally, with the purpose of setting up a governance system of the Entity, we find the Risk Appetite Framework of bancopopular-e with a comprehensive vision of the analysis of all the risks to which it may be potentially exposed. The management of Risk Appetite Framework is supported by a process developed in a continuous manner through the time, more specifically in the following timelines:

- On a three-months period basis, by using the metrics of each risk by each responsible/manager; analyzing and presenting results and suggested correcting actions (if required) to the General Management, to the Audit and Risk Committee and to the Board of Directors.

- On a yearly basis, on one hand in the elaboration of annual report of monitoring the risk profile and, on the other hand, in the review of Risk Appetite. Both of them are elaborated by the respective managers involved and will be revised with the general Management and Audit and Risk Committee in order to subsequently present them for approval of the Board of Directors.

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	151,868
Profit or loss for the period	99,605
Other accumulated grand total	-1,076
(-)Dividends and remunerations	-44,599
Total Equity to Public Balance	**637,970**
(-)Goodwill	-171,564
(-)Other intangible assets	-176,333
TIER 1	**290,073**
Generic funds and overprovisions	19,686
TOTAL REGULATORY CAPITAL	**309,759**

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: includes the total amount of capital subscribed and disbursed by shareholders of bancopopular-e, S.A. 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 The Entity's shares are not listed on the stock exchange.

- 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. By Thursday, December 31, 2015, the share premium amounts to €326,624 thousand. Reserves:

- 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 Thursday, December 31, 2015, net reserves and other reserves amount to €151,868 thousand.

- Retained earnings: this category includes the result for the year (€99,605 thousand), less the amount of dividend payments and remuneration (€44,599 thousand). Retained earnings by the reference date amount to €55,506 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 2015 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 2015.

- 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. They are associated mainly to the relation of acquired Cards customers, as well as a goodwill of €167 million as per 31 of December 2014. In the fiscal year 2015 as per the Purchase Agreement to Citibank

Spain, the Entity has paid an additional amount/earn-out of €5 million which has increased the goodwill of acquisition in said amount, therefore it is €172 million as per 31 December 2015.

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, 2015, 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 2015, 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 December 31, 2015

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 CRR (in thousand euros):

COMMON EQUITY TIER 1 CAPITAL	
Capital Instruments and the related share premium	432,172
Retained earnings	55,006
Other reserves	150,792
Common Equity Tier 1 (CET 1) capital before regulatory adjustments	**637,970**
Common Equity Tier 1 (CET 1) capital: regulatory adjustments	
(-) Goodwill	-171,564
(-) Other intangible assets	-176,333
(-)Total Common Equity Tier 1 (CET 1) capital regulatory adjustments	**-347,897**
Capital de nivel 1 ordinario	**290,073**
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)	**290,073**
Tier 2 (T2) capital: instruments and provisions	
Credit risk adjustments	19,686
Tier 2 (T2) capital before regulatory adjustments	**19,686**
Tier 2 (T2) capital: regulatory adjustments	
Tier 2 capital	**19,686**
Total capital (TC= T1 + T2)	**309,759**
Total risk weighed assets	**2,177,525**
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk exposure amount)	13.32%
Tier 1 (as a percentage of risk exposure amount)	13.32%
Total capital (as a percentage of risk exposure amount)	14.23%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.82%
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)	11,552
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)	37,094
Cap on inclusion of credit risk adjustments in T2 under standardised approach	19,686
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

In the following table are shown the capital requirements of bancopopular-e classified by type of risk as per 31 December 2015:

TYPE OF RISK	REQUIRED AMOUNT (thousand euro)
Credit risk	125,992
Market risk	527
Credit valuation adjustment risk	235
Operational risk	47,449

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 8% of risk-weighted exposures. Consequently, a requirement of €125.992 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	35,456
Regional administrations or local authorities	0
Public sector entities	2,076
Multilateral Development Banks	0
International Organizations	0
Entities	82,729
Enterprises	45,872
Minority exposures	1,327,517
Exposures secured by mortgages on real estate	0
Exposures in default	42,924
Entries associated with particularly high risks	0
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	36,210
TOTAL RISK-WEIGHED EXPOSURE	1,574,894
CREDIT RISK CAPITAL REQUIREMENTS	125,992

Table 4: Credit risk capital requirement. Standard method

6.1.2 Market risk minimum own funds requirements

The Entity does not present requirements of own resources in this concept because of trading portfolio. However, it does present a minor net exposure in foreign currency with associated capital requirements of €527 thousand as per 31 December 2015.

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, 2013, 2014 and 2015).

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 Thursday, December 31, 2015, the calculation described above produces a capital requirement result for operational risk of €47,449 thousand.

6.2 Internal Capital Adequacy Assessment

In the 2015 capital review the Entity applies the draft guide published by European Banking Authority (EBA) as procedure to asses internal capital considering subsequently the highlighted points in the letter received from Single Supervisory Mechanism (SSM) by relevant credit entities regarding supervisory expectation about ICAAP and ILAAP.

Accordingly, the requirements of internal capital for credit and operational risk have resulted similar to the corresponding requirements of regulatory capital, arising internal capital requirements for structural and business interest type of risk. For this purpose the Entity counts with more than enough capital.

6.3 Capital buffers

On December 31, 2015 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]:

[3] Equity exposures has no maturity.

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	35,456			35,456
Regional administrations or local authorities	2			2
Public sector entities	3,619		-33	3,587
Multilateral Development Banks	0			0
International Organizations	0			0
Entities	1,110,859			1,110,859
Enterprises	46,951	7,593	-12	46,939
Minority exposures	1,788,466	75,702	-138	1,788,328
Exposures secured by mortgages on real estate	0			0
Exposures in default	113,608		-70,754	42,855
Entries associated with particularly high risks	0			0
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	37,041			37,041
TOTAL EXPOSURE	3,137,472	83,295	-70,937	3,066,535

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

7.4 Geographic distribution of the exposures

Below is shown in detail the credit investments according to Entity's annual accounts as per 31 December 2015 by activity and geographical area[4]:

[4] The tables of the present section are elaborated exclusively with balance drawn down data.

€thousands					
2015	**TOTAL**	**SPAIN**	**REST OF EU**	**AMERICA**	**WORLD**
1. Credit institutions	465,482	465,468	-	-	14
2. Public authorities	75	61	-	-	14
2.1. Central government	1	1	-	-	-
2.2.Other	74	60	-	-	14
3. Other financial institutions	643,757	643,756	1	-	-
4. Non-financial corps and indiv. er	139,656	139,071	304	144	137
4.1 Construction and real estate developm	697	678	2	13	4
4.2 Civil engineering	1,286	1,278	6	2	-
4.3 Other purposes	137,673	137,115	296	129	133
4.3.1 Large companies	5,583	5,556	4	23	-
4.3.2. SMEs and individual entrepreneur	132,090	131,559	292	106	133
5. Other households and non-profit	1,742,797	1,739,692	1,619	782	704
5.1. Housing	-	-	-	-	-
5.2. Consumption	1,723,958	1,723,722	127	107	2
5.3. Other purposes	18,839	15,970	1,492	675	702
Subtotal	2,991,767	2,988,048	1,924	926	869
6. Less: Impairments not allocated to specific loans	37,094				
Total	2,954,673				

Table 6: Exposure investment international geographical distribution

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

€thousands

2015	TOTAL	Andalusia	Aragon	Asturias	Balearics	Canaries	Cantabria
1. Credit institutions	465,468	3	-	-	-	-	-
2. Public authorities	61	1	9	-	-	2	-
2.1. Central government	1	-	-	-	-	-	-
2.2.Other	60	1	9	-	-	2	-
3. Other financial institutions	643,756	-	-	-	-	2	-
4. Non-financial corps and indiv. entrepreneurs	139,071	19,960	1,052	1,662	2,660	4,064	1,095
4.1 Construction and real estate development	678	161	1	3	22	48	1
4.2 Civil engineering	1,278	207	11	17	51	56	8
4.3 Other purposes	137,115	19,592	1,040	1,642	2,587	3,960	1,086
4.3.1 Large companies	5,556	183	59	115	47	54	222
4.3.2. SMEs and individual entrepreneurs	131,559	19,409	981	1,527	2,540	3,906	864
5. Other households and non-profit institutions serving hou	1,739,692	229,427	40,910	35,461	42,537	82,295	16,960
5.1. Housing	-	-	-	-	-	-	-
5.2. Consumption	1,723,722	226,579	40,769	34,935	41,879	81,710	16,849
5.3. Other purposes	15,970	2,848	141	526	658	585	111
Subtotal	2,988,048	249,391	41,971	37,123	45,197	86,363	18,055
6. Less: Impairments not allocated to specific loans	37,094						
Total	2,950,954						

€thousands

2015	Castile La Mancha	Castile León	Catalonia	Extremadura	Galicia	Madrid	Murcia
1. Credit institutions	-	-	-	-	-	465,465	-
2. Public authorities	-	-	43	-	3	1	-
2.1. Central government	-	-	-	-	-	-	-
2.2.Other	-	-	43	-	3	1	-
3. Other financial institutions	-	-	106	-	7	643,627	-
4. Non-financial corps and indiv. entrepreneurs	3,030	6,081	19,993	777	10,462	52,004	1,949
4.1 Construction and real estate development	18	17	80	3	33	205	16
4.2 Civil engineering	41	57	126	15	127	418	36
4.3 Other purposes	2,971	6,007	19,787	759	10,302	51,381	1,897
4.3.1 Large companies	22	45	1,211	9	524	2,480	75
4.3.2. SMEs and individual entrepreneurs	2,949	5,962	18,576	750	9,778	48,901	1,822
5. Other households and non-profit institutions serving households	54,428	71,413	259,725	25,961	86,773	558,058	35,929
5.1. Housing	-	-	-	-	-	-	-
5.2. Consumption	54,023	70,434	257,580	25,757	84,962	554,581	35,662
5.3. Other purposes	405	979	2,145	204	1,811	3,477	267
Subtotal	57,458	77,494	279,867	26,738	97,245	1,719,155	37,878
6. Less: Impairments not allocated to specific loans							
Total							

€thousands 2015	Navarra	Aut. Community of Valencia	Basque Country	La Rioja	Cueta and Melilla
1. Credit institutions	-	-	-	-	-
2. Public authorities	-	1	-	-	-
2.1. Central government	-	-	-	-	-
2.2.Other	-	1	-	-	-
3. Other financial institutions	-	4	9	1	-
4. Non-financial corps and indiv. entrepreneurs	1,254	8,086	4,407	338	197
4.1 Construction and real estate development	1	51	16	2	-
4.2 Civil engineering	11	56	38	1	2
4.3 Other purposes	1,242	7,979	4,353	335	195
4.3.1 Large companies	58	169	280	3	-
4.3.2. SMEs and individual entrepreneurs	1,184	7,810	4,073	332	195
5. Other households and non-profit institutions serving households	13,688	122,219	49,972	6,616	7,320
5.1. Housing	-	-	-	-	-
5.2. Consumption	13,523	121,059	49,600	6,543	7,277
5.3. Other purposes	165	1,160	372	73	43
Subtotal	14,942	130,310	54,388	6,955	7,517
6. Less: Impairments not allocated to specific loans					
Total					

Table 7: Exposure 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	18,304	17,152	
Regional administrations or local authorities		2	
Public sector entities		3,619	
Multilateral Development Banks			
International Organizations			
Entities	786,787	324,072	
Enterprises	38,891	8,060	
Minority exposures	1,085,291	703,175	
Exposures secured by mortgages on real estate			
Exposures in default		113,608	
Entries associated with particularly high risks			
Covered bonds			
Exposures to institutions and companies with short-term credit assessment			
Participations or shares in collective investment			
Equity exposures			1,468
Other exposures	35,318	1,724	
TOTAL	**1,964,591**	**1,171,412**	**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	149	107	107	0
Fishing	24	24	24	0
Extractive industries	20	16	16	0
Manufacture of food products, beverages and tobacco	73	51	51	0
Chemical industry	25	20	20	0
Glass, ceramics and building materials	51	46	46	0
Metallurgy and manufacture of metallic products	320	260	260	0
Manufacture of transport equipment	22	22	22	0
Other manufacturing industries	503	401	401	0
Supply and distribution of electricity and gas	30	22	22	0
Water supply	36	35	35	0
Building (excluding property development)	934	745	745	0
Property development	26	24	24	0
Commerce and repairs	1,980	1,681	1,681	0
Transportation and warehousing	684	489	489	0
Catering	648	503	503	0
Information and communication	188	156	156	0
Real estate activities	89	60	60	0
Professional, scientific and technical activities	642	510	510	0
Administration and auxiliary services	453	378	378	0
Education	63	38	38	0
Human health and social work	132	101	101	0
Arts, entertainments and recreation activities	113	92	92	0
Other services	360	322	322	0
Insurances	11	10	10	0
Other financial intermediation	60	50	50	0
Acquisition of main residence	0	0	0	0
Acquisition of other current assets and services	105,334	64,924	64,924	0
TOTAL	**112,970**	**71,087**	**71,087**	**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	149	107	107	0
Fishing	24	24	24	0
Extractive industries	20	16	16	0
Manufacture of food products, beverages and tobacc	73	51	51	0
Chemical industry	25	20	20	0
Glass, ceramics and building materials	51	46	46	0
Metallurgy and manufacture of metallic products	320	260	260	0
Manufacture of transport equipment	22	22	22	0
Other manufacturing industries	503	401	401	0
Supply and distribution of electricity and gas	30	22	22	0
Water supply	36	35	35	0
Building (excluding property development)	934	745	745	0
Property development	26	24	24	0
Commerce and repairs	1,980	1,681	1,681	0
Transportation and warehousing	684	489	489	0
Catering	648	503	503	0
Information and communication	188	156	156	0
Real estate activities	89	60	60	0
Professional, scientific and technical activities	642	510	510	0
Administration and auxiliary services	453	378	378	0
Education	63	38	38	0
Human health and social work	132	101	101	0
Arts, entertainments and recreation activities	113	92	92	0
Other services	360	322	322	0
Insurances	11	10	10	0
Other financial intermediation	60	50	50	0
Acquisition of main residence	0	0	0	0
Acquisition of other current assets and services	93,339	55,246	55,246	0
TOTAL	**100,975**	**61,409**	**61,409**	**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	47	36	36	0
Central America	9	7	7	0
South America	399	341	341	0
EEUU	31	14	14	0
Asia	6	3	3	0
Oceania	9	7	7	0
Europe	112,469	70,678	70,678	0
Spain	112,143	70,430	70,430	0
TOTAL	**112,970**	**71,087**	**71,087**	**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	47	36	36	0
America Central	9	7	7	0
America del Sur	399	341	341	0
Estados Unidos	31	14	14	0
Asia	6	3	3	0
Oceania	9	7	7	0
Europa	100,474	61,001	61,001	0
España	100,148	60,753	60,753	0
TOTAL	**100,975**	**61,409**	**61,409**	**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 2014 and 2015 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 2014	**6,166**	**-**	**82**	**6,248**
Adjustment to fair value (Nota 7)	**94,822**	**21,299**	**-**	**116,121**
Additions in the year	32,705	128	222	33,055
Current year releases	3,978	-	-	3,978
Provisions applied	23,590	-	-	23,590
Other changes and transfers	(11,297)	605	-	(10,692)
Closing balance 2014	**94,828**	**22,032**	**304**	**117,164**
Additions in the year	29,929	15,060	16	45,005
Current year releases	3,057	-	27	3,084
Provisions applied	50,746	-	-	50,746
Other changes and transfers	(17)	2	-	(15)
Closing balance 2015	**70,937**	**37,094**	**293**	**108,324**

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 2015 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, 2015 is provided below:

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

	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	-		441,091,837	
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 2015.

- 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 2015 ("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, it is used 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

During 2015 there were not generated gains or losses on the sale of bancopopular-e's shares and capital instruments recorded during 2015.

9.4 Total unrealised gains or losses included in own funds

There have been no valuation adjustments in equity at Thursday, December 31, 2015 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 Thursday, December 31, 2015 are:

	250 b.p rise	100 b.p drop
Change in net interest income to +250 or -100 pb movement / Net interest Estimated	-8.12%	5.39%
Economic Value of Equity (EVE)	-1.83%	-0.01%

Table 16: Interest rates movements' impact

11 LEVERAGE RATIO

Part 7th of the Regulation 575/2013 sets out the rules for determination to calculate the Leverage Ratio of entities by calculating Tier 1 capital divided by exposure for the purpose of said ratio – expressing the result in %.

Capital Tier I: the details of own accountable funds can be viewed on table 5 of this document – it has been calculated according to the criteria defined by CRR.

Exposure: as set forth in article 429 of CRR the measure of exposure generally follows the accounting value according these considerations:

- The exposure within balance sheet differing from derivatives are included net of provisions and adjustments of accounting valuation

- Total exposure of the Bank measurement results from adding up the following items based on the regulatory balance sheet:
    - Positions of the balance sheet (excluding derivatives and repos to be considered afterwards): the accounting balance of the correspondent assets is included in the financial statement leaving out the mentioned item.
    - Exposures in derivatives: the exposure referred to EAD applicable in the measurement of utilization of counterparty risk capital is included – comprehending exposure (net of compensations and securities) and adjustment for future potential risk (add-on).
    - Securities Financial Transactions (SFT): they are included in EAD adjusted by collateral value and other haircuts according to article 220 in CRR.
    - Off-Balance items: they correspond to risks and contingency engagements mainly related to guarantees and available balance. As set forth in the Article 429 – paragraph 10 a) of CRR there is a minimum floor applied to the transformation factors (CCF's) of 10%.
    - Deductions Tier I: it is deducted from expose all the amounts of assets that have been deducted in the determination of accountable capital Tier 1 in order to avoid duplicity of exposures. In this context mainly intangible assets, negative tax base are deducted as well as others defined in the Article 36 of CRR.
    - Investments in capital of bank, financial, insurance and trading entities out of prudential consolidation scope (if applicable) according to article 429 paragraph 4.

Based on article 499.3 during the transition period between January 1st 2014 and March 31st 2017 the entity calculates the leverage ratio in the ending of the quarter and will employ capital of Tier 1 capital subject to the adjustments by transitory provisions as set forth in article 499.1.b) of the Regulation.

As per December 2015 entity's leverage ratio fully loaded is 8.18% far from minimum levels established by Basilea Committee for reference (3% of Tier 1 capital against total exposure).

Leverage Ratio Calculation	Importe (miles de euros)
Tier 1 capital	**290,073**
Total Exposures	**3,545,555**
Leverage Ratio	**8.181%**

Table 17: Leverage ratio calculation

The amounts of total exposure and a conciliation of total exposure including financial statements is shown below.

Leverage ratio exposure	
On-balance sheet items (excluding derivatives, SFTs, fiduciary assets, but including collateral)	2,915,542
(Asset amounts deducted in determining Tier 1 capital)	-348,973
Total on-balance shee exposures (excluding derivatives, SFs T and fiduciary assets)	**2,566,569**
Replacement cost associated with all derivatives transactions (i.e. net of elegible cash variation margin)	288
Add-on amount for PFE associated with all derivatives transactions (market to market method)	2,804
Total derivatives exposures	**3,092**
Total SFT exposures	**430,000**
Off balance sheet exposures at gross notional amount	5,413,237
(adjustments for conversion to credit equivalent amounts)	-4,867,343
Other off-balance sheet exposures	**545,894**
Leverage ratio exposure	**3,545,555**

Summary reconciliation of accounting assets and leverage ratio exposures		
Total Assets as per published financial statement	3,345,830	3,345,830
Adjustments for derivative financial instruments	2,804	Market value of the derivatives plus the future potential risk
Adjustments for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	545,894	Off balance sheet exposure, net of provisions once the CCF correspondent to the exposure have been applied
Other adjustments	-348,973	Tier 1 Capital deductions plus actuarials results of defined contribution plans
Leverage ratio exposure	3,545,555	

12. REMUNERATION POLICY

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

The current remuneration policy aims to align staff efforts with company results and provides a competitive compensation package to attract and engage employees with the goals of bancopopular-e focusing on etic behavior and striving for efficiency.

The principles of transparency and compliance with legal procedures are present at all levels.

Regarding the Appointments and Remuneration Committee of bancopopular-e, the following table shows its membership by 31 December[1]:

Mr. Xavier Durand (Chairman)

Mr. Rick Noel

Mr. José Manuel Piñeiro Becerra

Mr. Francisco Javier Lleó Fernández (1)

The information regarding the tasks of this committee is described in paragraph 4.4, "Description of the information flow on risk to the management body", of the "Internal Governance" section.

12.2 Information about connection between Compensation and Results: Main characteristics of the remuneration system

As per 31 December, 100% of employees are subject to variable compensation plans relating performance to compensation at personal, department and business levels. The most common formula considers measurement and bonus of the subject variables in the beginning of next year. All plans of variable compensation relate their accrual to criteria of quality and invalidate calculation in case of non-fulfilment of internal rules.

For the Central Services staff the variable compensation consists of an annual determination of an amount based on a budget related to Company performanse and it is approved by the Finance Department and Board of Directors. Mentioned amount is distributed according to an objective formula related to personal performance at employee level, fixed base and consideration by the area manager.

By the reference date for elaboration of this report the variable compensation represents 15% of fixed salaries of staff. The Board of Directors has agreed to increase the current maximum ratio between variable and fixed compensation to 1:2.

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

The identified staff with variable payments above €50,000 per year defers 50% of the amount in three years. Both deferment and effective payments are subject to retention or return clauses if act implying non-authorized risks for the company.

12.3 Information about basis criteria of results for shares, options or variable elements acquisition right

The policy of discretional variable remuneration (yearly bonus) of bancopopular-e is related to results based on company results and originally estimated budget, as well as fulfillment of main objectives of evolution of main initiatives of business development and overcoming necessary satisfaction umbrals of our customer.

On the other hand, the variable compensation policy formula (incentive schemes) of the Entity is based on both business performance such as Cards applications, expenses control or cost per account, and factors of quality and control.

12.4 Determination of "Identified Staff"

Identified Staff consists of all employees whose professional activities have relevant impact on the risk profile of the Entity. Identified Staff of bancopopular-e is composed by the following positions:

- Cards Business Manager
- Retail Business Manager
- Directors of Strategic Planning
- Director of Portfolio and Digital Strategy
- Director of Marketing
- Director or Credit Policy
- Director of Sales
- Director of Operations
- Director of Finance
- Director of Human Resources
- Director of Legal Service
- Director of Operational Risk
- Internal Audit Director
- Director of Treasury and Capital Markets

12.5 Quantitative Information on compensation of "Identified Staff" broken down by activity

The information shown in the tables shows current total compensation as per December 2015 with a brake down of the sole existing activity in the Entity:

SCOPE OF ACTIVITY	Number of employees	Total compensation (€)
Consumer Business	14	3,042,347

Table 18 : Current Compensation of "Identified Staff"

With regards on compensation broken down by type of position it is important to point out that there does not currently exist in the Entity personnel hired as Top Management according to stipulations of the labor regulation description.

Compensation details are shown in the following table as per December 2015 distributed in fixed and variable compensation breaking down pecuniary obligations, deferred shares as well as the number of beneficiaries:

<table>
<tr><th></th><th></th><th colspan="4">Variable compensation (€)</th></tr>
<tr><th>Number of beneficiaries</th><th>Compensation Fixed (€)</th><th>Monetary</th><th>Monetary Deferred</th><th>Shares</th><th>Deferred Shares</th></tr>
<tr><td rowspan="2">14</td><td rowspan="2">2,316,916</td><td>431,737</td><td>93,234</td><td>107,226</td><td>93,234</td></tr>
<tr><td colspan="4">725,431</td></tr>
</table>

Table 19 : Amount of current fixed and variable compensation of "Identified Staff"

The outstanding deferred quantities are €162,481,741 in cash and €35,741 in shares.

By December 2015, no new sign-on and severance payments have been made.