Fondo de Reestructuración Ordenada Bancaria

Annual Accounts and Report of the Directors for the year 2013

Includes the Audit Report on the 2013 Annual Accounts

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Fund (see Notes 2 and 18). In the event of a discrepancy, the Spanish language version prevails.

Auditors' report on financial statements

To the Governing Committee of
Fondo de Restructuración Ordenada Bancaria:

1. We have audited the financial statements of Fondo de Restructuración Ordenada Bancaria ("the FROB" or "the Fund"), which comprise the balance sheet at 31 December 2013 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The Director General of the FROB is responsible for the preparation of the FROB's financial statements in accordance with the regulatory financial reporting framework applicable to the Fund (identified in Notes 1 and 2 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed. Except as discussed in paragraph 2, our work has been performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. As indicated in Note 7 of the report, the FROB holds an investment of 66.01% in the share capital of Catalunya Banc, S.A. recognized under "Non-current investments in Group companies and associates – Equity instruments " amounting to EUR 1,858 thousand. The recoverable amount of the investment, in order to determine its impairment has been calculated from the consolidated net assets of the entity, as evidenced by its consolidated annual account of 2013 audited, adjusted for existing unrealized gains corresponding to identifiable elements in the consolidated balance at the year-end. On 2 June 2014, as described in Note 17 of the notes to the accompanying annual accounts, the FROB has started the sale of the entity and, for reasons of confidentiality inherent to this type of transaction, it has decided not to make public its estimated price based on the market research that has been conducted to date of preparation of the annual account and, accordingly, it has not provided us with that information. Therefore, we could not assess whether the amount for which the mentioned investment is recognized in 2013 will be equal to its recoverable by transmission value.

3. In our opinion, except for the effects of any adjustments that might have been found necessary had we obtained the valuation described in paragraph 2, the accompanying financial statements for 2013 present fairly, in all material respects, the equity and financial position of Fondo de Restructuración Ordenada Bancaria at 31 December 2013, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Fund and, in particular, with the accounting principles and rules contained therein.

4. Without qualifying our audit opinion, we draw attention to the matters detailed in Notes 2.4 and 7 to the accompanying financial statements, which indicate that in preparing these financial statements, estimates were made for the purpose of measuring the investments in form of equity interests in and financing provided to credit institutions and determining the possible existence of impairment thereof.

These estimates were made on the basis of the best information available at the date of preparation of these financial statements, although the recovery of these assets at the value at which they were recognised will depend on the effective fulfilment of the key assumptions considered in the respective business plans and the price which, in case, may be obtained from the sale of the entities on which the FROB maintains equity interests.

In addition, to the date of preparation of these annual accounts there are certain uncertainties about the whole effect on the investee or on financed by the FROB entities could have certain facts, among which are the outcome of the lawsuits filed by the holders of hybrid instruments, the final cost of the restructuring processes approved by the European Commission and the implementation of business plans that enable to generate earnings enough to allow a full recovery of tax assets recorded at 31 December 2013 by the entities or the results of the review of the quality of the banks' assets being conducted by the European Central Bank. The above facts, together with the evolution of the entities, could affect the valuation of the investments of the FROB reflected in these annual accounts.

5. Without affecting our audit opinion, we draw attention to what is indicated in Notes 2.4 and 13, which indicate that the FROB granted different guarantees in order to carry out the sales process of certain holdings and other guarantees whose aim is to compensate retail holders of hybrids who proceeded to their exchange.

   The Management of the FROB has estimated the amount of provisions made in accordance with the methodology set out in the said Note. These estimates were made based on the best information available at the date of preparation of the annual accounts, although the adequacy of the provisions made for these items depend on the effective implementation of the key assumptions used in their determination as well as the future evolution of the contingencies covered by these warranties.

6. The accompanying directors' report for 2013 contains the explanations, which the Director General considers appropriate about the FROB's situation, the evolution of its activities and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the director's report is consistent with that contained in the financial statements for 2013. Our work as auditors was confined to checking the director's report with the aforementioned scope, and did not include a review of any information other than that drawn from the FROB's accounting records.

Grant Thornton

Sara González Losantos

23 June 2014

FONDO DE REESTRUCTURACIÓN ORDENADA BANCARIA

Annual Accounts
for the year ended
31 December 2013 and
Directors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Fund (see Notes 2 and 18). In the event of a discrepancy, the Spanish-language version prevails.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Fund (see Notes 2 and 18). In the event of a discrepancy, the Spanish-language version prevails.

FONDO DE REESTRUCTURACIÓN ORDENADA BANCARIA

BALANCE SHEET AT 31 DECEMBER 2013

(Thousands of Euros)

ASSETS	Notes	2013	2012	EQUITY AND LIABILITIES	Notes	2013	2012
NON-CURRENT ASSETS				EQUITY			
Intangible Assets		8	-	OWN FUNDS-	9	2,461,367	(21,921,522)
Property, plant and equipment		383	108	Equity fund		5,248,479	4,139,000
Non-current investments in Group companies and associates	7	13,303,805	11,548,560	Loss for the year		(2,787,112)	(26,060,522)
Equity instruments		13,303,805	11,548,560				
Non-current financial assets	7	5,587,353	4,747,486	VALUATION ADJUSTMENTS-	9	12,082	89,802
Loans to third parties		-	112	Available-for-sale financial assets		12,082	89,802
Debt instruments		5,486,603	4,747,374				
Other financial assets		100,750	-			2,473,449	(21,831,720)
				NON-CURRENT LIABILITIES			
Total non-current assets		18,891,549	16,296,154	**Non-current provisions**	13	1,074,793	598,000
				Non-current payables	8	16,290,662	48,039,901
				Debt instruments and other marketable securities		2,500,174	8,774,525
				Other non-current payables		13,790,488	39,265,376
						17,365,455	48,637,901
CURRENT ASSETS				CURRENT LIABILITIES			
Non-current assets classified as held for sale	6	683,000	2,410,000	**Current provisions**	13	378,936	97,133
Trade and other receivables		566	119	**Current payables**	8	7,360,815	2,573,514
Current financial assets	7	4,083,550	7,184,390	Debt instruments and other marketable securities		6,481,019	2,364,466
Loans to third parties		703,092	976,648	Current bank borrowings		559,989	-
Debt instruments		3,380,458	6,207,742	Other current payables		319,807	209,048
Current prepayments and accrued income		27	26	**Trade and other payables**		3,129	6,473
Cash and cash equivalents	5	3,923,092	3,592,612	Sundry accounts payable	12	2,891	6,308
Cash		3,923,092	3,592,612	Other accounts payable to public authorities	11	238	165
Total current assets		8,690,235	13,187,147			7,742,880	2,677,120
TOTAL ASSETS		27,581,784	29,483,301	TOTAL EQUITY AND LIABILITIES		27,581,784	29,483,301

FONDO DE REESTRUCTURACIÓN ORDENADA BANCARIA

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(Thousands of Euros)

	Notes	Income / (Expense)	
		2013	2012
CONTINUING OPERATIONS			
Finance income		**301,574**	**357,935**
Preference share interest	7	17,137	191,320
Bank interest	5	24,616	13,231
Loan interest	7	6,232	64,791
Public debt interest	7	182,772	88,593
Convertible bonds interest	7	70,817	-
Finance costs		**(815,445)**	**(500,253)**
Interest and commissions	8	(815,409)	(498,510)
Provision adjustments	13	(36)	(1,743)
Other income		**514**	**215**
Asset protection scheme commissions		-	115
Other income		514	100
Period provisions	13	**(668,665)**	**(688,000)**
Period provisions for APS and other liabilities		(668,665)	(688,000)
Changes in fair value of financial instruments	7	**143,610**	**30**
Allocation to profit or loss of fair value changes in available-for-sale financial assets		143,610	30
Impairment and gains or losses on disposals of financial instruments		**(1,729,004)**	**(25,213,172)**
Impairment and other losses	6 & 7	(1,729,000)	(25,215,284)
Gains or losses on disposals and other	6	(4)	2,112
Depreciation and amortisation charge		**(65)**	**(25)**
Staff costs	14	**(3,786)**	**(1,221)**
Wages and salaries		(3,304)	(1,067)
Employee benefit costs		(482)	(154)
Other operating expenses	14	**(15,845)**	**(16,031)**
External services		(15,722)	(15,826)
Other current operating expenses		(123)	(205)
LOSS FOR THE YEAR		**(2,787,112)**	**(26,060,522)**

FONDO DE REESTRUCTURACIÓN ORDENADA BANCARIA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2013

(Thousands of Euros)

	Income / (Expense)	
	2013	2012
LOSS PER INCOME STATEMENT (I)	(2,787,112)	(26,060,522)
Income and expense recognised directly in equity		
- Measurement of financial instruments	65,890	89,832
Available-for-sale financial assets	65,890	89,832
- Tax effect	-	-
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	65,890	89,832
Transfers to profit or loss		
- Measurement of financial instruments	(143,610)	(30)
Available-for-sale financial assets	(143,610)	(30)
- Tax effect	-	-
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	(143,610)	(30)
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	(2,864,832)	(25,970,720)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(Thousands of Euros)

	Equity fund	Prior years' profits (losses)	Profit (Loss) for the period	Valuation adjustments	TOTAL
Balance at 1 January 2012	8,696,236		(10,557,236)		(1,861,000)
Adjustments due to changes in policies in 2012	-	-	-	-	-
Adjustments due to errors in 2012	-	-	-	-	-
ADJUSTED BALANCE AT BEGINNING OF 2012	8,696,236	(10,557,236)	-	-	(1,861,000)
Total recognised income and expense	-	-	(26,060,522)	89,802	(25,970,720)
Transactions with Fund sponsors	(4,557,236)	10,557,236	-	-	6,000,000
- Amounts transferred to the fund	6,000,000		-	-	6,000,000
- Allocation of prior year loss	(10,557,236)	10,557,236	-	-	-
Other changes in equity	-	-	-	-	-
Balance at 31 December 2012	4,139,000	-	(26,060,522)	89,802	(21,831,720)
Adjustments due to changes in policies in 2013	-	-	-	-	-
Adjustments due to errors in 2013	-	-	-	-	-
ADJUSTED BALANCE AT BEGINNING OF 2013	4,139,000		(26,060,522)	89,802	(21,831,720)
Total recognised income and expense	-	-	(2,787,112)	(77,720)	(2,864,832)
Transactions with Fund sponsors	1,109,478		26,060,522	-	27,170,000
- Allocation of prior year loss	(26,060,522)	-	26,060,522	-	
- Offseting financial liabilities into equity (Note 9.1)	27,170,000		-	-	27,170,000
Other changes in equity	-	-	-	-	-
Balance at 31 December 2013	5,248,479	-	(2,787,112)	12,082	2,473,449

FONDO DE REESTRUCTURACIÓN ORDENADA BANCARIA

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

(Thousands of Euros)

	Notes	Proceeds / (Payments)	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES (I)		(260,013)	66,199
Loss for the year before tax		(2,787,112)	(26,060,522)
Adjustments for:		2,766,121	26,045,218
- Depreciation and amortisation charge		65	25
- Impairment losses	6	1,729,000	25,215,284
- Changes in provisions	8 & 13	666,791	689,743
- Gains/Losses on derecognition and disposal of financial instruments		4	(2,122)
- Finance income	7	(301,574)	(357,935)
- Finance costs	8	815,445	500,253
- Changes in fair value of financial instruments		(143,610)	(30)
Changes in working capital		329,163	9,482
- Trade and other receivables	7	(447)	1,145
- Other current assets		32,141	3,434
- Trade and other payables		(3,344)	5,068
- Other current liabilities		404,699	(165)
- Other non-current assets and liabilities		(103,886)	-
Other cash flows from operating activities		(568,185)	72,021
- Interest paid	8	(837,617)	(281,246)
- Interest received	7	269,432	353,267
CASH FLOWS FROM INVESTING ACTIVITIES (II)		2,181,052	(4,308,439)
Payments due to investment		(9,898,280)	(8,284,674)
- Group companies and associates		(108,500)	-
- Intangible assets		(10)	-
- Property, plant and equipment		(336)	(34)
- Other financial assets		(9,544,434)	(8,284,640)
- Non-current assets classified as held for sale		(245,000)	-
Proceeds from disposal		12,079,332	3,976,235
- Other financial assets		12,079,332	2,952,279
- Non-current assets classified as held for sale	6	-	1,023,956
CASH FLOWS FROM FINANCING ACTIVITIES (III)		(1,590,559)	5,995,484
Proceeds and payments relating to equity instruments	9	-	6,000,000
- Proceeds from issue of equity instruments		-	6,000,000
Proceeds and payments relating to financial liability instruments	8	(1,590,559)	(4,516)
- Proceeds from issue of borrowings from Group companies and associates		-	-
- Proceeds from issue of bank borrowings		559,441	-
- Redemption of debt instruments and other marketable securities		(2,150,000)	-
- Repayment of bank borrowings		-	(4,516)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		330,480	1,753,244
Cash and cash equivalents at beginning of year		3,592,612	1,839,368
Cash and cash equivalents at end of year		3,923,092	3,592,612

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Fund (see Notes 2 and 18). In the event of a discrepancy, the Spanish-language version prevails.

Notes to the financial statements for the year ended 31 December 2013

1. Activity

The Fondo de Reestructuración Ordenada Bancaria (the Fund for Orderly Bank Restructuring, "the FROB") is a public entity with legal personality and full public and private capacity to fulfil its purpose, which was incorporated on 14 July 2009 in accordance with the provisions of Royal Decree-Law 9/2009, of 26 June, on bank restructuring and reinforcement of credit entities' equity[1]. Currently the legal regime under which the FROB carries on its activities can be found in Law 9/2012, of 14 November, on restructuring and resolution of credit institutions[2] (hereinafter "Law 9/2012").

The FROB's purpose is to manage the restructuring and resolution processes of credit institutions in the terms established in the aforementioned Law 9/2012.

The objectives pursued by these restructuring and resolution processes, as determined in Article 3 of Law 9/2012, are as follows:

- *To ensure the continuity of any activities, services and operations whose interruption could disrupt the economy or the financial system and, in particular, financial systems of systemic importance and payment, clearing and settlement systems.*

- *To avoid adverse effects on the stability of the financial system, preventing contagion of the difficulties of one institution to the system as a whole and maintaining market discipline.*

- *To ensure the most efficient use of public resources, minimizing the extraordinary public financial support, which it may be necessary to grant.*

- *To protect depositors whose funds are guaranteed by the Deposit Guarantee Fund for Credit Institutions.*

- *To protect the repayable funds and other assets of credit institutions' customers.*

In order to achieve the objectives outlined above, the FROB may adopt the necessary financial support instruments. These may be implemented through the use of, inter alia, one or more of the following measures, in accordance with Article 28 of Law 9/2012:

- *Issuing of guarantees.*

- *Granting of loans or credit lines.*

- *Acquisition of assets or liabilities, whose management may be assumed by the FROB or commissioned to a third party.*

- *Recapitalisation, through ordinary shares or capital contributions and/or instruments convertible into ordinary shares or contributions to share capital.*

These instruments will be eligible, in all cases, as Tier 1 and principal capital. The FROB may advance the subscription or acquisition price of these instruments in the form of a loan.

The FROB is not subject to the following legislation, which, therefore, is not applicable to it:

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[1]Repealed by the Royal Decree-Law 24/2012, of 31 August, on restructuring and resolution of credit institutions. Law 9/2012, of 14 November, also repealed this Royal Decree-Law, on restructuring and resolution of credit institutions, converting into a law what was established therein.

[2]Modified by Royal Decree-Law 6/2013, of 22 March, on protection of certain savings and investments, products holders and other financial measures and the Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt the Spanish law to the European Union legislation on supervision and capital adequacy of financial institutions.

- The provisions of Law 6/1997, of 14 April, on the organisation and working of the Central Government.

- The rules governing the budgetary, economic and financial, accounting and control regulations of public bodies reporting or connected to the Central Government, except with regard to the audits of the Spanish National Audit Office, pursuant to Organic Law 2/1982, of 12 May, of the Spanish National Audit Office and to the ongoing financial control of its internal economic and financial management regulations by the General Audit Office of the State Administration, pursuant to General Budget Law 47/2003, of 26 November.

- The provisions of Law 33/2003, of 3 November, on public administration holdings.

The FROB shall receive funding out of the State Budget. Additionally, the equity of the FROB may increase through the capitalization of loans, credit or any other form of borrowing of the FROB in which the Central Government appears as a creditor. Also, in order to achieve its aims, the FROB may rise financing by issuing fixed-income securities, receiving loans, request the opening of credits and perform any other borrowing transaction. Irrespective of how they are instrumented, the external funds obtained by the FROB must not exceed the limit established to that effect in the State Budget Laws for each year.

The FROB is managed and administered by a Governing Committee comprising nine members at 31 December 2013: four appointed by the Bank of Spain, including the Deputy Governor who acts as Chairman of the Governing Committee; the Secretary General for the Treasury and Financial Policy, who acts as Vice-Chairman; the Under-Secretary for Economic Affairs and Competitiveness; the Chairman of the Spanish Accounting and Audit Institute; the Director General for Economic Policy; and the Director General for Budgets. The meetings of the Governing Committee are also attended by a representative appointed by the General Comptroller of the State Administration and another appointed by the Attorney General-Director of the State Legal Service. The Director General of the FROB may attend the meetings of the Governing Committee, with the right to speak but not to vote.

The registered office of the FROB is at Avenida del General Perón 38, Madrid.

Significant events in 2013 and 2012

Certain events that occurred in 2013 and 2012 that are significant for understanding these annual accounts are described below:

Year 2013

i. On 7 February 2013, in compliance with the provisions of Law 9/2012, the Governing Committee determined the economic values of the Banco de Caja España de Inversiones, Salamanca y Soria Group (Ceiss), Liberbank Group (Liberbank), Banco Grupo Cajatres (Cajatres), Banco Mare Nostrum Group (BMN) and Banco Gallego, S.A., in accordance with the procedures established by the FROB and on the basis of the appraisal reports commissioned to three independent experts for each of them. The calculated values amounted to: EUR minus 288 million for the Banco de Caja España de Inversiones, Salamanca y Soria Group, EUR 1,113 million for Liberbank Group, EUR 370 million for Banco Grupo Cajatres, EUR 569 million for Banco Mare Nostrum Group and EUR minus 150 million for Banco Gallego, S.A. These valuations were used as a basis for implementing the public financial support provided for in the restructuring/resolution plans approved in December 2012 by the Bank of Spain and the European Commission.

ii. Following the inclusion in Spanish legislation of hybrid capital and subordinated debt management exercises which aim to ensure that an entity's creditors participate correctly in the costs arising from its restructuring or resolution, and as a result of the growing number of claims filed by customers of the entities in relation to the marketing of these products, on 22 March 2013, Royal Decree-Law 6/2013, on protection of holders of certain savings and investment products and other financial measures, was approved, the objectives of which are as follows:

   a. to monitor any claims filed by customers against financial institutions as a result of the sale of complex products and to make available, in certain cases, expeditious dispute settlement mechanisms, primarily through arbitration. A hybrid capital instrument and subordinated debt monitoring Committee was created for this purpose. The Committee's duties include the determination of the basic criteria to be applied by entities in which the FROB has invested in order to offer their customers the option to have any disputes arising in connection with these instruments to be submitted to arbitration, with the objective of ensuring that customers receive appropriate compensation if the arbitrator rules in their favour; and

   b. to provide liquidity for the shares that the holders of these instruments receive in exchange for them, being that the entities issuing these instruments are not listed on an official market, and do not intend to do so in the framework of the restructuring plans of the European Commission. In order to mitigate the effects of this situation, the Deposit Guarantee Fund was empowered to create market mechanisms to provide alternative liquidity for these shares.

iii. On 12 March 2013, the FROB performed the disbursement of public funding approved by its Governing Committee on March 8, 2013 to the following Group 2 entities:

   - Banco Mare Nostrum, S.A., through subscription of ordinary shares amounting to EUR 730 million.

   - Liberbank, S.A., through subscription of contingent convertible bonds amounting to EUR 124 million.

   - Banco Grupo Caja 3, S.A., through subscription of contingent convertible bonds amounting to EUR 407 million.

iv. On 30 April 2013, the FROB performed the disbursement of public support to CEISS Bank, S.A, through the subscription of contingent convertible bonds amounting to EUR 604 million.

v. On 28 October 2013, it was formalized in a public deed the sale of Banco Gallego, S.A., to Banco Sabadell, S.A., culminating the implementing of the resolution plans for the entity (see Note 6).

vi. On 31 October 2013, the Governing Committee of the FROB adopted an agreement, which gives it a course of action that allows, in accordance with the objectives and principles contained in Law 9/2012, to facilitate the success of corporate operations intended to the resolution of a credit institution. The decisions that the FROB may take in the scope of the framework agreement should be analysed for each credit institution and each specific corporate transaction; in any case they must be based on the following premises:

   a) Its purpose is to avoid serious problems of equity in relation to creditors or shareholders of a credit institution resulting from the general rules applied.

   b) Have a clear economic justification validated by an independent expert, evidencing preserving value for FROB and minimizing costs to the public treasury.

   c) Conforms to the State aid regulations.

vii. On 18 December 2013, the Governing Committee of the FROB agreed awarding NCG Banco, S.A. to Grupo Banesco, subject to compliance with legal requirements and provided the appropriate approval from national and international competent authorities (see Note 6).

Year 2012

i. Royal Decree-Law 2/2012, of 3 February, on the clean-up of the financial sector, published on 4 February 2012, and Royal Decree-Law 18/2012, of 11 May, on the clean-up and sale of property assets in the financial sector, published on 12 May, set forth new provisioning and capital requirements in addition to those required from the credit institutions at 31 December 2011, aimed at covering the impairment on banks' balance sheets caused by assets relating to the property business. These requirements, which had to be met by the credit institutions in the course of 2012, had a significant impact on their income statements and equity positions.

ii. Royal Decree-Law 18/2012 stipulated that in cases where, as a result of meeting the new requirements for covering property risk, credit institutions suffered a deterioration in their capital adequacy to such an extent that they had a principal capital or capital shortfall, the credit institutions would be obliged to provide for alternative measures in their compliance plan in order to ensure that the provisions of the Royal Decree-Law were met. In particular, if the Bank of Spain deemed it appropriate in view of the economic and financial position of the credit institutions, they would be obliged to request public financial support through the intervention of the Fund for Orderly Bank Restructuring. This institution would inject resources into the entities by acquiring either ordinary share capital or other instruments convertible into equity.

iii. On 9 May 2012, the Banco Financiero y de Ahorros (BFA) Group, under the aforementioned legislation, submitted a request to the FROB, through the Bank of Spain, to convert into shares the issue of preference shares launched by this entity and subscribed by the FROB amounting to EUR 4,465 million. Furthermore, BFA, within the framework of the requirement made by the Bank of Spain under the provisions of Royal Decree-Law 2/2012 and Royal Decree-Law 18/2012, notified the Bank of Spain and the Ministry of Economy and Competitiveness that it would request a capital contribution from the FROB amounting to EUR 19,000 million.

iv. On 27 June 2012, in order to put into effect the conversion of the preference shares, the shareholders at the General Meeting of Banco Financiero y de Ahorros, S.A. agreed unanimously to reduce the company's share capital to zero through the redemption of shares to offset losses, following the application of voluntary reserves, and to execute at the same time the increase in the share capital in order to carry out the conversion. As a result of the foregoing, following the aforementioned process to convert the preference shares, the FROB became the sole shareholder of Banco Financiero y de Ahorros, S.A.

v. Also, at the beginning of June 2012, the Spanish government launched a transparency exercise consisting of two private, independent aggregate valuation analysis of the loan portfolios in Spain of the fourteen largest banking groups, in order to assess the resilience of the Spanish financial sector to a severe deterioration of the Spanish economy. According to the published reports, the Spanish financial sector was estimated to need capital of between EUR 16,000 million and EUR 26,000 million in the basic macroeconomic scenario and between EUR 51,000 million and EUR 62,000 million in the adverse macroeconomic scenario. Additionally, one of the international consultancy firms mentioned above performed an analysis to determine the capital requirements that would correspond to each of the entities based on their risk profiles.

vi. On 25 June 2012, the Spanish government submitted a formal request to the Eurogroup for financial assistance for the recapitalization of the Spanish credit institutions. On 29 June it was established that the European Financial Stability Facility (EFSF) would provide the financial assistance until the European Stability Mechanism (ESM) was available and that the former would transfer it to the ESM without granting it priority.

As a result of this financial assistance programme, a Memorandum of Understanding on Financial-Sector Policy Conditionality (MoU) was signed on 23 July. The MoU establishes the conditions connected with the financial assistance granted by the EFSF or, where appropriate, the ESM. Among other measures, the MoU provides for the performance of a bank-by-bank stress tests in order to estimate capital needs and for initiating a process of restructuring and/or resolution of entities through the measures established in Law 9/2012.

The financial assistance facility agreement for the recapitalisation of financial institutions (the FFA of the EFSF) for a maximum amount of EUR 100 billion was entered into on 24 July 2012 by the following parties: the EFSF as lender, the Kingdom of Spain as borrower, the FROB as guarantor and agent, and the Bank of Spain as disbursement agent. As established in the FFA, the disbursed funds will be channelled to the recipient entities through the FROB. Accordingly, following each request for funds and receipt of the necessary authorizations, the funds will be paid into a securities or cash account at the Bank of Spain. In addition, before the funds have been paid to the government of Spain, the ESM must have expressed its agreement with the documentation formalising the legal relationship between the FROB and the State governing the transfer of the funds to the FROB.

vii. As part of the assistance programme to Spain for the recapitalisation of the financial sector, Royal Decree-Law 24/2012, of 31 August, on restructuring and resolution of credit institutions was published 31 August 2012, whereby a substantial reform was made of the Spanish scheme for the restructuring and resolution of credit institutions in place until that date. This Royal Decree-Law established the regime governing the restructuring and resolution of credit institutions and strengthened the FROB's powers of intervention. It also included voluntary and mandatory subordinated liability exercises for entities for which restructuring or resolution procedures have been initiated. Finally, provision was made for the incorporation of a company to manage the assets from the bank restructuring process, which will be responsible for managing the problem assets that the credit institutions must transfer to it. Furthermore, the organisational structure of the FROB was changed in order to avoid conflicts of interest due to the participation of the private sector in the Governing Committee through the Deposit Guarantee Fund for Credit Institutions. Measures were also included to enhance the protection of retail investors who subscribe financial products not covered by the Deposit Guarantee Fund for Credit Institutions. Lastly, changes were made to the definition of principal capital and the related requirements to be met by consolidable groups of credit institutions and by institutions not forming part of a consolidable group, and a single requirement of 9% of risk-weighted exposures was established, which must be met as from 1 January 2013.

viii. On 28 September 2012, the capital needs were disclosed for each of the credit institutions subject to analysis, classifying the four banks controlled by the FROB, which required state aid in the two scenarios envisaged in the analysis, in "Group 1"; and a further three banking groups -Banco Popular, BMN and the planned merger between Ibercaja, Liberbank and Caja 3- in "Group 2", i.e. the entities that would require additional capital in the adverse scenario. These entities submitted their recapitalisation plans in October 2012 for approval by the Bank of Spain and the European Commission. Based on these plans, the need for, and amount of, public aid were determined.

ix. On 10 October 2012, the FROB published a document entitled "Guidelines on the methodology and procedures for determining an entity's economic and liquidation value" in accordance with the provisions of Royal Decree-Law 24/2012, which establishes that, prior to the adoption of any restructuring or resolution measure, the FROB will determine each entity's economic value for the purpose of recognising any losses that may arise from the application of the instruments that are to be used, and that this valuation will be subject to the procedure and will be performed in accordance with the criteria that the FROB determines in general, through a resolution adopted by its Governing Committee, in accordance with generally accepted methodologies.

x. On 29 October 2012, the FROB completed the design of the asset management company for the banking system restructuring, Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (SAREB), which was provided for in the MoU. This company's purpose is the transfer by the entities of problem assets relating to the property sector on the basis of prudent valuations, with the objective of ensuring the company's profitability over a period of 15 years, thereby substantially reducing any uncertainty regarding the viability of the entities that require public aid and enabling them to focus their management on their core business.

xi. Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions ("Law 9/2012") was approved in November 2012, thereby converting the provisions of Royal Decree-Law 24/2012 into law. Law 9/2012 establishes, inter alia, that the financial institutions' restructuring and resolution plans must envisage the performance of management exercises relating to hybrid capital and subordinated debt instruments issued by credit institutions in order to ensure an adequate allocation of the restructuring or resolution costs in accordance with the legislation governing European Union State aid and with the objectives and principles established in the aforementioned Law. The actions included in the restructuring and resolution plans may affect the issues of hybrid instruments, such as preference shares or subordinated financing obtained by the credit institution, either directly or through an entity wholly owned, either directly or indirectly, by the credit institution. The hybrid capital and subordinated debt instrument management exercises may consist of, among other measures: (i) offers for exchange for the credit institution's equity instruments, whether shares, non-voting equity units or contributions to capital; (ii) offers to buy back securities, by direct cash payment or payment conditional on, according to their present value, the subscription of the entity's shares, non-voting equity units or contributions to its share capital or on reinvestment of the buyback price in any other banking product; (iii) reduction in the face value of the debt; and (iv) early redemption at other than face value. The hybrid capital and subordinated debt instrument management exercises shall take into account the market value of the debt securities to which they are addressed, applying any premiums or discounts in accordance with European Union State aid legislation. The entity shall request the preparation of at least one independent expert opinion to substantiate market value. Without prejudice to the foregoing, Law 9/2012 establishes the FROB's capacity to resolve to perform, with the nature of an administrative act, actions relating to the management of hybrid capital and subordinated debt instruments in the case of the credit institutions referred to in Article 39.1 in this Law for which a restructuring or resolution plan has been prepared, and to include them in the related plan if it deems them necessary to achieve any of the following objectives:

a) To ensure that the costs of restructuring or resolution of the credit institutions are divided appropriately, in accordance with European Union State aid legislation and in an endeavour to reduce the use of public funds to a minimum.

b) To maintain or restore the financial position of credit institutions receiving financial support from the FROB.

xii. The hybrid capital and subordinated debt instrument management exercises ordered by the FROB, pursuant to Law 9/2012, shall be binding on the credit institutions to which they are addressed, on any institutions that are wholly-owned directly or indirectly by them through which the issue has been made, and on the holders of the hybrid capital and subordinated debt instruments. The FROB shall determine which issues or sets of hybrid capital and subordinated debt instruments lie within the scope of application of the management exercise, respecting, in this determination, the different order of priority, irrespective of the issue dates. Losses in excess of their proportional holdings cannot be attributed to holders of securities with more senior claims and, in any case, shareholders, non-voting equity unit holders or partners of the credit institution shall have to have absorbed losses to the greatest possible extent. One or more of the following hybrid capital and subordinated debt instrument management exercises may be ordered by the FROB pursuant to the provisions of this Law:

a) Deferment, suspension, elimination or amendment of certain rights, obligations, terms and conditions of some or all of the hybrid capital and subordinated debt instrument issues of the institution within the meaning of Article 39.2 of Law 9/2012. The changes may affect, inter alia, the following:

1. Payment of interest.
2. Repayment of principal.
3. Events of default.
4. Maturity date.
5. Investors' individual or collective rights.
6. The right to apply for an event of default to be declared.
7. The right to demand any payment relating to the securities.

b) The entity's obligation to buy back the securities concerned at the price set by the FROB. The FROB is authorised to design the buyback procedure. The total buyback price of each of the issues may not exceed their market value, applying any premiums or discounts in accordance with European Union State aid legislation. In any case, investors shall receive a sum equivalent at least to that which they would have received had the institution been liquidated in an insolvency proceeding. Moreover, the FROB may stipulate that the buyback price be reinvested in subscribing shares, non-voting equity units or contributions to share capital, as appropriate, or that it be paid in kind in shares or non-voting equity units available in the entity's direct or indirect treasury shares.

c) Any other measures that the credit institution concerned could have taken through a hybrid capital and subordinated debt instrument management exercise.

xiii. Lastly, on 28 November of 2012, at the proposal of the Bank of Spain and the FROB, the European Commission approved the restructuring/resolution plans of the four entities majority-owned by the FROB: Banco Financiero y de Ahorros, NCG Banco, Catalunya Banc and Banco de Valencia. The capital needs that were originally identified in the stress tests mentioned above were reduced as a result of the effect of the transfer of property assets to SAREB, to be performed in December 2012, and of the assumption of losses by the holders of hybrid instruments. The approved plans include significant business adjustment measures and reductions in the workforces and branch networks by the entities receiving public funds. They also include a financial burden sharing exercise that affects shareholders and holders of hybrid instruments, as set forth in the State aid legislation applied by the European Commission and provided for in the MoU. Accordingly, in order to minimise costs for the taxpayer, the shareholders of the restructured entities assume a reduction in the value of their investment in line with the registered losses or the economic valuation of the entity, and the dilution effect caused by the capital injections made by the FROB, and the holders of hybrid instruments issued by the entities that receive public aid contribute as much as possible to cover the capital needs and accept, following the application of considerable cuts, the exchange of their securities for assets as Tier 1 capital.

xiv. Note 7.2 details the capital aid effectively disbursed by the FROB in 2012.

xv. Lastly, on 20 December 2012, the European Commission approved the restructuring plans of the entities forming part of Group 2 (Caja3, Banco Mare Nostrum, Banco Ceiss and Liberbank) following approval of these plans by the Bank of Spain. The financial support that these four entities received amounted to EUR 1,865 million. This amount is less than that identified for capital needs by the aforementioned independent expert in the stress test, since they were reduced as a result of the transfer of problem assets to SAREB and the assumption of losses by the holders of preference shares and subordinated debt. Other mitigating measures implemented by the entities were also taken into consideration, such as the disposal of assets and other gains included in the restructuring plans.

2. Basis of presentation of the annual accounts and other information

2.1 Regulatory financial reporting framework applicable to the FROB

These annual accounts were prepared by the Director General of the FROB in accordance with the regulatory financial reporting framework applicable to the Entity established in the following:

a) The Spanish Commercial Code and all other Spanish corporate law applicable to the Entity.

b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 on 16 November with the amendments introduced by Royal Decree 1159/2010 on 17 September.

c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.

d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The annual accounts of the FROB, which were obtained from its accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Entity (see 2.1) and, in particular, with the accounting principles and rules contained therein (see Note 4) and, accordingly, they present fairly the Entity's equity and the financial position at 31 December 2013, and its results, the changes in its equity and its cash flows in the year then ended, in accordance with the applicable regulatory framework and, in particular, with the accounting principles and rules contained therein.

The annual accounts of the FROB for 2012 were approved by the Governing Committee on 18 July 2013. The annual accounts for 2013 which were authorised for issue by the Director General of the FROB on 20 June 2014 will be submitted for approval by the Governing Committee, and it is considered that they will be approved without any changes.

2.3 Accounting policies applied

The annual accounts of the FROB were prepared taking into account all the mandatory accounting principles and rules with a material effect on the annual accounts (see Note 4). All obligatory accounting principles with a significant effect on the annual accounts were applied. No non-obligatory accounting principles were applied in the preparation of the annual accounts.

2.4 Key issues in relation to the measurement and estimation of uncertainty

The information in these annual accounts is the responsibility of the Director General of the FROB.

In preparing these annual accounts, estimates were made to measure certain of the items recognised therein. Taking into consideration the object of the FROB and the activities carried on by it, whereby it makes investments in the form of ownership interests in the share capital of, and financing provided to, the credit institutions and SAREB that are presented in these annual accounts, estimates were made for the purpose of measuring these investments and determining the possible existence of impairment losses on these investments.

The recoverable amounts of the investments in share capital, and the related impairment losses, were calculated as follows:

a.- In the case of NCG, from its sale price (see Note 6).

b.- In the case of SAREB, from the business plan approved by the Board of Directors of that institution on 26 February 2014. Such valuation method matches the one applied to the subordinated debt issued by the entity and subscribed by the FROB.

c.- Regarding the remaining shares in the group's companies, the FROB considered the best evidence of its recoverable amount, as well as the corresponding impairment losses, as provided by the 9th accounting and measurement rule of Royal Decree 1514/2007, is the consolidated equity of the investee as evidenced by their corresponding consolidated and audited for the year 2013 financial statements, excluding minority interests, adjusted for unrealized gains on the date of valuation that apply to identifiable items in the consolidated balance sheet of the investee. Therefore, the assessments, which were used to determine the effects of impairment at December 31, 2012, are not, at year-end 2013, the best evidence of its recoverable amount, given the changes that have occurred in the assumptions on which business plans in which such assessments were based were developed.

The recoverable amounts of the convertible bonds have been estimated from the analysis of compliance with the restructuring plans developed by each entity and approved by the FROB, the Executive Committee of the Bank of Spain and the European Commission, which formed the basis for the implementation of the financial support and that included the repayment schedule of those amounts.

Although these estimates were made on the basis of the best information available at the date of preparation of these annual accounts, there are some uncertainties on the whole of the investees or financed by the FROB entities that may impact on its financial position, including which are the outcome of the lawsuits filed by holders of hybrid capital, the final cost of the restructuring processes approved by the European Commission as well as the performance of their respective business plans that would enable the generation of positive results in an amount sufficient to allow full recovery of tax assets recorded at December 31, 2013 by the entities. These facts, together with the evolution of the entities, could affect the valuation of investments of the FROB reflected in these annual accounts.

Also, events that take place in the future, which include the results of the events of any disposal processes carried out by the FROB with regard to its investments, might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in estimates would be applied prospectively.

Additionally, the FROB has granted different guarantees in order to carry out the sales process of certain entities as well as other guarantees whose aim is to compensate retail holders of hybrid that proceeded to swap (see Note 13). The FROB has estimated the amount of provisions made in accordance with the methodology set out in this Note. Although these estimates were made on the basis of the best information available at the date of preparation of these annual accounts, the adequacy of the provisions made for these items will depend on the fulfilment of the key assumptions used for its determining, as well as the future developments of the contingencies covered by these warranties.

2.5 Comparative information

The information contained in these annual accounts relating to 2012 is presented with the figures relating to 2013 for comparison purposes only. Therefore, the information relating to 2012 does not constitute the FROB's statutory annual accounts for 2012.

2.6 Environmental impact

In view of the business activities carried on by the FROB, it does not have a significant impact on the environment. Therefore, these annual accounts do not contain any disclosures relating to environmental issues.

2.7 Information on deferred payments to suppliers. Third Additional Provision. "Disclosure obligation" provided for in Law 15/2010, of 5 July

Information on deferred payment to suppliers in commercial transactions is set forth below (in thousands of euros):

	Amounts paid and payable at the balance sheet date			
	2013		2012	
	Amount	% (1)	Amount	% (1)
Paid within the maximum legal payment period (2)	15,558	100%	12,939	100%
Other	-	-	-	-
Total payments made in the year	**15,558**	**100%**	**12,939**	**100%**
Weighted average period of late payment (days)	-	-	-	-
Payments at 31 December exceeding the maximum legal payment period	-	-	-	-

(1) Percentage of the total amount.

(2) The maximum payment period is, in all cases, that relating to the nature of the asset or service received by the FROB in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions.

2.8 Presentation of consolidated financial statements

Spanish corporate and commercial legislation requires that, with certain exceptions, the parents of groups of companies prepare the corresponding consolidated annual accounts and related consolidated directors' report, in which the subsidiaries are fully consolidated.

The aforementioned legislation establishes that an entity is a subsidiary of another entity when the parent exercises control over it, i.e. it has the power to govern the financial and operating policies of a business so as to obtain economic benefits from its activities; the existence of control -and, therefore, of the group- is presumed to exist when, among other factors, the majority of voting power is owned and the power is held to appoint or remove the majority of the members of the Board of Directors.

However, the corporate and commercial legislation also establishes that in exceptional cases in which the application of a legal provision with regard to accounting would be incompatible with the fair presentation that must be provided by the annual accounts, this provision will not be applied.

In this context, the FROB has performed an analysis of the need to present consolidated annual accounts after having acquired, as described in Note 7 to these annual accounts, majority shareholdings in certain credit institutions, which led it to conclude, after consulting with the Bank of Spain and the Spanish National Securities Market Commission (CNMV), that there is no need to prepare consolidated annual accounts since it understands that these would not meet the objective of presenting fairly the nature and purpose of its majority shareholdings and, in addition, there is no legal obligation to do so. The matters taken into consideration to reach this conclusion included the following:

- The extremely exceptional circumstances that require the intervention of the FROB in the processes in which it acquires majority shareholdings in entities or in which it gains control over managing bodies;

- The fact that the taking of these shareholdings occurs by legal mandate and is intended to complete and guarantee the fulfilment of the restructuring/resolution plan that must conclude with the cession of the business to third parties. It is non-profit making and its actions cannot be treated as substantial rights with a mission to take an active part in the management of the businesses; and

- The consideration that the presentation of said consolidated financial statements would not contribute relevant information to the investors of the FROB, since the decisions for allocating resources are not based on the capacity to generate cash flows from its assets, but rather on the explicit, unconditional and irrevocable guarantee of the Kingdom of Spain which treats the instruments issued by the FROB as public debt.

3. Allocation of loss

Pursuant to Law 9/2012, any accrued and accounted profit will be paid into the Public Treasury. On the other hand, any negative results generated by the FROB's assets will be offset by its Equity Fund. The allocation of loss for years 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Basis of allocation:		
Loss per income statement	(2,787,112)	(26,060,522)
Allocation to:		
Equity Fund	(2,787,112)	(26,060,522)
	(2,787,112)	**(26,060,522)**

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the FROB in preparing the annual accounts for 2013, in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November ("the Spanish National Chart of Accounts"), were as follows:

4.1 Property, plant and equipment

4.1.1. Intangible assets

Computer programs that meet the recognition criteria are recognised at cost of acquisition or development. Amortisation is made on a straight-line basis over a period of 4 years from the entry into service of each application.

Maintenance costs of the applications are expensed in the year they are incurred. At December 31, 2013 did not exist, nor has been impaired during the year 2013, any of the FROB's intangible assets.

4.1.2. Property, plant and equipment

Initial recognition -

The assets included in property, plant and equipment are recognized initially at cost, either the acquisition price or production cost, depending on whether they have been acquired or manufactured, respectively, by the Entity.

The acquisition cost includes, as well as the amount billed by the supplier after deducting any discounts or price reduction, all the directly related additional expenses that occur until the assets are ready for their intended use, including those relating to bringing them to their location and any other condition in order that they may operate as planned.

Subsequent measurement -

Following acquisition, the items of property, plant and equipment are measured at their acquisition price or production cost, less any accumulated depreciation and any accumulated impairment losses.

Depreciation -

Property, plant and equipment are depreciated systematically on a straight-line basis over their estimated useful lives, taking into consideration their estimated residual value at the end of this period. The estimated useful lives of the Entity's various items of property, plant and equipment at 31 December 2013, calculated on the basis of the Entity's best estimate of the decline in value normally caused by their use and by wear and tear, in addition to the consideration of any technical and commercial obsolescence that might affect them, is as follows:

	Years of estimated useful life
Computer hardware	4
Furniture and other	5

Any changes that might occur in the useful lives of the various items of property, plant and equipment are recognised by adjusting the depreciation charge of future years or periods, in line with the new estimated useful lives.

In 2013 no changes occurred in the estimates of the useful lives of any items of property, plant and equipment owned by the Entity.

Impairment -

An impairment loss occurs on an item of property, plant and equipment when its carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use, as defined in the Spanish National Chart of Accounts.

At the end of each reporting period, the Entity tests its property, plant and equipment to determine whether there is any evidence that those assets might have suffered impairment, in which case the recoverable amount of the asset is estimated in order to determine the amount of the impairment losses to be recognised which, if necessary, are recognised with a charge to the income statement. The reversal, if any, of previously recognised impairment losses due to increases in the recoverable amount of items of property, plant and equipment is recognised with a credit to the income statement. These recoveries are limited to the carrying amount of the asset had no impairment loss been recognised.

None of the FROB's items of property, plant and equipment were impaired at 31 December 2013 or in the year then ended.

4.2 Non-current assets held for sale

Definition -

Non-current assets whose carrying amount is expected to be recovered primarily through their sale and not through their continuing use. They are classified as non-current assets held for sale provided that they meet the following requirements:

a) The assets must be available in their current condition for immediate sale, subject to the usual and customary terms for their sale; and

b) Their sale must be highly likely, which is understood to be the case when the following circumstances occur:

   a. There is a plan in place to sell the asset and a project has begun to find a buyer and complete the plan.

   b. The sale of the asset is negotiated actively at an adequate price in relation to its current fair value.

   c. The sale is expected to be completed within the year following the date of the classification of the asset as held for sale unless, due to events or circumstances outside the Entity's control, the deadline for the sale has to be postponed and the Entity remains committed to the plan to dispose of the asset.

   d. The actions to complete the plan indicate that it is unlikely that there will be significant changes in it or that it will be withdrawn.

Measurement -

The FROB measures the non-current assets classified as held for sale on the date on which they are classified as such, at the lower of their carrying amount and their fair value less costs to sell. At the date on which these assets are reclassified, the FROB determines the value and recognises, where appropriate, any impairment losses on these assets.

The Entity recognises any impairment losses on the non-current assets classified as held for sale in the income statement, together with their reversal when the circumstances giving rise to them cease to exist, except when it is appropriate to recognise them directly in equity in accordance with the criteria generally applicable to the assets in the specific, related rules.

4.3 Financial assets - Categories of financial assets

4.3.1 Investments - Group companies

In accordance with accounting legislation, "Group companies" are controlled by an entity. Control is the power to govern the financial and operating policies of a business so as to obtain economic benefits from its activities. Control exists, in general but not exclusively, when the Entity owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when there are other circumstances or agreements that determine the existence of control.

However, as indicated above (see Note 2.8), the majority shareholdings owned by the FROB in credit institutions as part of its company object do not meet the definition of subsidiaries as it is non-profit making. Also, taking into consideration the specific nature of the management that it performs, for the purpose of the preparation of these annual accounts, they were treated for accounting purposes as investments in Group entities as it is understood that this criterion is the fairest way to present these investments. They are recognised in the annual accounts under "Non-Current Investments in Group Companies and Associates - Equity Instruments" in the balance sheet and are measured at acquisition cost, net of any impairment losses on said investments (see Note 4.5.1).

Any dividends accrued on these investments, provided that they do not arise unequivocally from the gains generated prior to their acquisition date, are recognised in the income statement. In 2013 these investments did not accrue any dividends.

Note 7.2 contains significant information on these investments.

4.3.2 Loans and receivables

This category of financial instruments includes debt instruments arising from the provision of services and those that, while not arising from this type of activity, represent receivables with fixed or determinable amounts that are not traded in an active market.

Loans and receivables are recognised in the balance sheet at 31 December 2013 under inter alia, "Non-Current Financial Assets", "Trade and other receivables" and "Current Financial Assets".

Initial recognition -

Generally speaking, loans and receivables are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given, plus any directly attributable transaction costs.

However, certain items established under applicable legislation that are included in this financial asset category and mature within one year are initially recognised at their nominal value when the effect of not discounting the cash flows is not significant.

Subsequent measurement -

The assets included in this category are measured at amortised cost. The interest earned on these assets is recognised in the income statement using the effective interest method.

However, the financial assets included in this financial asset category which, as described above, are initially recognised at their nominal value, continue to be measured at this value after initial recognition.

Any impairment losses on these assets are recognised as described in Note 4.5.2.

Notes 7.3, 7.4 and 7.5 contain significant information on these investments.

4.3.3 Available-for-sale financial assets

This category may include any financial assets that have not been classified in any other financial asset category envisaged in the Spanish National Chart of Accounts.

Initial recognition -

Available-for-sale financial assets are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement -

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, (permanent) impairment is deemed to exist if the market value of the asset has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered.

However, the accrued interest and dividends relating to these assets are recognised in the income statement on the basis of their nature.

Any impairment losses on these assets are recognised as described in Note 4.5.

Notes 7.3, 7.4 and 7.7 contain significant information on these investments.

4.4 Cash

The cash balances, all of which are denominated in euros, are measured at their nominal value in these annual accounts.

The interest earned by the bank accounts and bank deposits held by the FROB is calculated using the effective interest method on the basis of their contractual rates and are recognised under "Finance Income - Bank Interests" in the income statement.

4.5 Impairment of financial assets

The FROB monitors its financial assets in order to have information enabling it to identify evidence of their possible impairment and, where necessary, to perform the related impairment test. Impairment is considered to exist when the recoverable amount of a financial asset is lower than its carrying amount. When this occurs, the impairment (difference between the recoverable value and the carrying amount of said asset) is recognised in the income statement.

When the recovery of any recognised amount is considered unlikely, the amount is written off, without prejudice to any actions that the FROB may initiate to seek collection until its contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

1. In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

2. In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the year in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the income statement for the year in which the impairment is reversed or reduced.

The criteria applied by the FROB to determine possible impairment losses in each of the various financial instrument categories and the method used to calculate and recognise such impairment losses are as follows:

4.5.1 Investments in entities

The FROB estimates and recognises impairment losses on the investments in Group entities provided that there is objective evidence, in accordance with the provisions of applicable legislation, that the carrying amount of an investment in these companies may not be recoverable.

The causes that the FROB regards as indicating the existence of objective evidence of possible impairment on its investments include the adverse economic and financial performance of the entities and, in particular, the existence of losses and, where appropriate, significant variances with respect to the financial projections envisaged in the corresponding restructuring/resolution plans on which the calculations of the acquisition prices were based; in the case of listed securities, a prolonged decline in their fair value, particularly when a decline occurs over a period of 18 months or of 40% in the market value without the value having recovered and without prejudice to the possible need to recognise an impairment loss before this period has elapsed or the market value has fallen to this extent; the existence of significant qualifications in the audit of the entities' financial statements that might adversely affect the entities' value, and situations that raise doubts as to their viability or solvency, or the existence of other circumstances of a similar nature that could place in doubt the recoverability of the carrying amount of the investments.

The amount of the impairment losses is estimated as the difference between the book value of the investments and their recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and the present value of the future cash flows arising from the investment. If there is no better evidence of the recoverable amount, the FROB estimates the impairment loss taking into consideration the equity of the investee, excluding minority interests, adjusted by the amount of the unrealised gains existing at the date of measurement, on the basis of the available information. In addition, in the estimate of the recoverable amount of these investments, the FROB takes into consideration the assumption by the Deposit Guarantee Fund for Credit Institutions of potential losses that might arise in the divestment of these companies.

The most significant aspects of the methodology used at 2013 year-end for estimating the recoverable amount of the various investments in capital and, therefore, the related impairment losses are described in Note 2.4 to these annual accounts.

Impairment losses and the reversal thereof are recognised as an expense and income, respectively, in the income statement (see Note 7.2). The limit of any reversal of impairment losses is the carrying amount of the investment that would have been recognised at the date of reversal had no impairment loss been recognised.

4.5.2 Debt instruments classified as "loans and receivables"

The FROB estimates and recognises impairment losses on the debt instruments classified as loans and receivables provided that there is objective evidence, in accordance with applicable legislation, that events have occurred causing, after a financial asset is initially recognised, a reduction or delay in the collection of the cash flows associated with this asset, that could be caused by the insolvency of the debtor.

The amount of the impairment loss of these assets is calculated as the positive difference between the asset's carrying amount and the present value of its estimated cash flows.

The Circumstances that the FROB considers may have generated impairment on these investments and that are taken into consideration in its estimates of impairment include: the non-payment of coupons of the preference shares, contingently convertible bonds and subordinated debt, the existence of significant qualifications in the auditors' reports that might adversely affect the entity's performance or of situations that raise doubts as to the entities' viability or solvency, the notification by the Bank of Spain of the need for their early conversion into share capital or the existence of doubts on the fulfilment of financial commitments arising from the aforementioned securities, or the existence of other circumstances of a similar nature that might place in doubt the payment capacity of the issuers of the securities.

The most significant aspects of the methodology used at year-end 2013 to estimate the recoverable value of the contingently convertible bonds and subordinated debt and, therefore, the corresponding impairments are described in Note 2.4 of these annual accounts.

Impairment losses and the reversal thereof are recognised as an expense and income, respectively, in the income statement (see Note 7.4). The limit of any reversal of impairment losses is the carrying amount of the investment that would have been recognised at the date of reversal had no impairment loss been recognised.

4.6 Financial liabilities - Accounts payable

The financial liabilities assumed are classified and measured in the "Accounts Payable" category as defined by applicable legislation.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost (see Note 4.12).

4.7 Derecognition of financial instruments

A financial asset is derecognised when either of the following conditions is met:

1. The contractual rights on the cash flows they generate have been extinguished; or

2. The contractual rights on the cash flows of the financial asset are granted and the risks and rewards of ownership of the asset are substantially transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred.

Financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are re-acquired by the FROB, with the intention either to resell them or to cancel them.

4.8 Tax regime

Law 9/2012 establishes that, for tax purposes, the FROB will have the same treatment as the Deposit Guarantee Fund for Credit Institutions. Consequently, it is exempt from income tax and from any indirect taxes that may be incurred as a result of its constitution, of its operation, of the assets it realises and the transactions it performs in fulfilment of its objectives, and any other indirect taxes that may be passed on to it.

4.9 Revenue and expense recognition

Revenue and expenses are recognised in the income statement on an accrual basis, i.e. when the actual flow of the related acquisition or provision of goods and services occurs, regardless of when the resulting monetary flow arises.

In this regard, the accrued finance income and expense (see Notes 5, 7 and 8) are recognised in the income statement using the effective interest method (see Note 4.12).

Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and benefits of ownership of the asset remain with the lessor.

The FROB has leased under an operating lease the facilities that constitute its registered office (see Note 1). The main features of the lease are as follows:

Lease term	Penalties
31 January 2018	In advance resolution

The amount of dues of the operating lease is charged directly to the income statement (see Note 14.2).

4.10 Provisions and contingencies

In preparing its annual accounts, the FROB makes a distinction between:

a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, the amount and/or timing of which cannot be determined. These obligations may arise from a legal provision, a contractual requirement or an implicit or constructive obligation assumed by the FROB.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the FROB.

The annual accounts include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Unless they are considered to be remote, contingent liabilities, if any, are not recognised in the annual accounts, but rather are disclosed.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided there is no doubt that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised, as a result of which the FROB is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

4.11 Related party transactions

For the purposes of preparing these annual accounts, the FROB's "related parties" are considered to be the Bank of Spain, key management personnel of the FROB and the entities in which it has a majority shareholding or controls a majority of the managing body (see Note 1).

The transactions between the FROB and its related parties are accounted for in accordance with the general rules, i.e. at fair value.

Note 15 contains information on the balances recognised in these annual accounts corresponding to related parties.

4.12 Definition of fair value and amortised cost

For the purposes of the preparation of these annual accounts, fair value is understood to be the amount for which an asset may be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair value is determined without any deduction for transaction costs that may be incurred on disposal. In no case shall fair value be that resulting from a forced or urgent transaction or from a situation of forced liquidation.

Fair value is generally calculated by reference to a reliable market value, which is understood to be the price quoted in an active market, in which the goods or services exchanged are homogeneous, buyers and sellers may be found at practically any time for certain goods or services and the prices are known and easily accessible to the public, and reflect actual, current and regular market transactions.

In contrast, if no active market exists, fair value is estimated by applying generally accepted assessment models and techniques such as references to recent transactions, references to the fair value of substantially similar financial instruments and generally accepted cash flow discount methods, in all cases using techniques that have demonstrated that they provide the most realistic fair value estimates and maximising at all times the use of data obtained in the market.

Amortised cost of a financial instrument is understood to be the amount at which it was initially recognised, less any principal repayments and interest payments made, plus or minus, as appropriate, the portion allocated to the income statement, calculated using the effective interest method, of its accrued interest and of the difference between the initial cost and the maturity amount of the instrument. In the case of financial assets, amortised cost also includes any impairment losses recognised thereon.

The effective interest rate is the discount rate that matches the initial value of a financial instrument to the present value of the estimated cash flows during its expected life based on its contractual conditions and excluding future credit losses. This calculation includes any loan arrangement fees, where appropriate, charged prior to granting the loan.

5. Cash and cash equivalents – Cash

At 31 December 2013 and 2012, "Cash and Cash Equivalents - Cash" are as follows:

	Thousands of Euros	
	2013	2012
Short-term deposits	2,334,000	-
Accounts held in Bank of Spain	115,908	3,591,391
Current accounts in other entities	1,468,039	377
Pending accrued interests	5,145	844
	3,923,092	**3,592,612**

Accounts held by the FROB at the Bank of Spain earned in 2013 and 2012 an interest equal to the arithmetic mean of the minimum rate pre-established for each weekly auction of the European Central Bank (main financing transactions), published in the period relating to the settlement of the account, minus 25 basis points.

In 2013 the interest earned on the bank deposits held by the FROB amounted to EUR 24,616 thousand (31 December 2012: EUR 13,231 thousand), which was recognised under "Finance Income - Bank Interest" in the accompanying income statement (see Notes 7.6 and 15) of which EUR 5,145 thousand are uncollected as at 31 December 2013 (31 December 2012: EUR 844 thousand).

6. Non-current assets classified as held for sale

Details of the assets classified under this line item in the balance sheet at 31 December 2013 and 2012:

2013

	Thousands of Euros		
	Gross Amount	Impairment Losses	Carrying Amount
NCG Banco, S.A.	5,425,000	(4,742,000)	683,000
Total non-current assets classified as held for sale	**5,425,000**	**(4,742,000)**	**683,000**

2012

	Thousands of Euros		
	Gross Amount	Impairment Losses	Carrying Amount
Catalunya Banc, S.A.	9,084,000	(6,674,000)	2,410,000
Banco de Valencia, S.A.	5,498,448	(5,498,448)	-
Total non-current assets classified as held for sale	**14,582,448**	**12,172,448**	**2,410,000**

Set forth below is certain information relating to the investments held by the FROB classified as "Non-Current Assets Classified as Held for Sale" at 31 December 2013 and 2012:

2013

	Ownership Interest	Location	Thousands of Euros			
			Share Capital (*)	Share Premium (*)	Reserves and Other Equity Items (*)	Profit (Loss) Attributable to the Parent (*)
NCG Banco, S.A.	62.75%	Coruña	2,359,246	5,571,998	(5,242,759)	17,900

(*) The data relating to this company's equity position have been obtained from the audited consolidated financial statements at 31 December 2013.

2012

	Ownership Interest	Location	Thousands of Euros			
			Share Capital (*)	Share Premium (*)	Reserves and Other Equity Items (*)	Profit (Loss) Attributable to the Parent (*)
Catalunya Banc, S.A.	100%	Barcelona	1,306,203	7,777,797	(306,741)	(8,191,996)
Banco de Valencia, S.A.	99%	Valencia	4,554,925	-	(86,812)	(2,235,471)

(*) The data relating to this company's equity position have been obtained from the audited consolidated financial statements at 31 December 2012.

The changes in 2013 and 2012 in this line item of the accompanying balance sheet are as follows:

	Thousands of Euros
Balance at beginning of 2012	1,021,834
Transfers	2,410,000
Disposals	(1,021,834)
Balance at 31 December 2012	**2,410,000**
Additions	-
Transfers (Note 7.2)	(76,000)
Disposals	-
Net charge for impairment losses	(1,651,000)
Balance at 31 December 2013	**683,000**

The following is a description of the most significant changes:

Catalunya Banc, S.A. ("CX")

In 2012, as part of the entities resolution plan indicated in Note 1, the FROB took the decision to initiate the necessary steps to sell its investment in CX. However, on March 4, 2013, after the deadline for submission of non-binding offers for the acquisition of the entity, the FROB announced its intention not to advance the process of award. As a result, at 31 December 2013, the FROB has transferred this investment to "Non-Current Investments in Group Companies and Associates - Equity Instruments".

On 2 June 2014, the FROB announces the start of the entity's auction process. Since that decision was taken after the year end, the FROB has not reclassified such investment in Catalunya Banc, S.A. as "Non-current assets held for sale" (see Note 7.2).

Banco de Valencia, S.A. ("Banco Valencia")

On 27 November 2012, the Governing Committee of the FROB and the Executive Committee of the Bank of Spain approved the resolution plan of Banco de Valencia, which was approved by the European authorities on 28 November 2012. This provided for, among other aspects, the transfer of all the shares representing the share capital of Banco de Valencia held by the FROB to CaixaBank, S.A. for EUR 1. This provision was implemented, following the related competitive process, in the sale agreement entered into on 27 November.

Finally on 11 February 2013, the Governing Committee of the FROB resolved to implement certain hybrid capital and subordinated debt instrument management exercises in executing the resolution plan of the entity. Furthermore, on 28 February 2013, the sale by the FROB to CaixaBank of its entire investment in the share capital of Banco de Valencia, S.A., which amounted to 98.9%, was formally executed.

NCG Banco, S.A. ("NCG")

The exercise of estimation of capital needs conducted in 2012, showed that NCG Banco had EUR 7,176 million of capital needs. In compliance with the commitments under the MoU signed between national and international authorities in July 2012 for the Entities of group 1, among which was NCG Banco, the Board of Directors of NCG Banco passed on 27 November 2012 the resolution plan of the entity. This plan was approved by the Governing Committee of the FROB and the Executive Committee of the Bank of Spain on 27 November 2012, and by the European Commission on 28 November. Within that plan were included measures to absorb these capital needs including the transfer of assets to SAREB, the hybrids management exercise and the new injection of funds by the FROB.

In addition, and in compliance with the provisions of Articles 5 and 64a) of the Law 9/2012 the economic value of the entity was determined and was approved by the Governing Committee of the FROB on 14 December 2012 and whose negative amount was EUR 3,091,000 thousand. Furthermore, in accordance with the provisions of Article 31.1 of the Law 9/2012, FROB participation in the share capital of NCG was adjusted to the negative economic valuation of the entity.

On 26 December 2012 the Governing Committee of the FROB approved a resolution plan with the following measures:

i) Reduction of share capital to zero through the redemption of existing shares amounting to EUR 2,681,838 thousand. The reduced amount will be used to increase voluntary reserves.

ii) Simultaneously was agreed the implementation of the capital increase by the conversion of EUR 1,162,000 thousand of preference shares held by the FROB in common shares with total face value of EUR 878,031 thousand and an overall share premium of EUR 283,969 thousand.

iii) A new capital reduction to zero throught the redemption of the new shares and the increase in voluntary reserves.

iv) Increase in capital, operation designed to a capital injection amounting to EUR 5,425,000 thousand, by providing ESM fixed interest bonds (see Note 8.3) and Spanish public debt amounting to EUR 368 thousand.

v) Adoption of the related statutory changes.

Following the execution of these agreements and the hybrids management exercise conducted in July 2013, the final extent of the FROB in NCG capital amounted to 62.75%, with a Deposit Guarantee Fund hold of 25.58% from that amount. The NCG Resolution Plan established the obligation for the Spanish authorities to initiate contacts with potential buyers no later than July 2015. Pursuant to this mandate, on 4 July 2013, an advisory agreement to sell shares from NCG was awarded to BNP Paribas. Thereafter, a competitive process was launched in order to select a buyer for the shares of the entity held by the FROB and by the Deposit Guarantee Fund.

On 18 December 2013 the Governing Committee of the FROB agreed the award of 88.33% stake in NCG Banco, S.A, corresponding to the shareholding in such entity by FROB and FGD (Deposit Guarantee Fund), to Banesco Holding Financiero 2 S.L.U., for EUR 1,003 million, a figure that takes into account the sale of the two portfolios of failed that were included in the process. Of this amount 40% will be paid when the sale transaction is performed, and the remaining 60% will be paid in successive instalments until 2018. The terms of the sale contract do not include the grant of an assets protection scheme nor an additional warranty of the commitments made by the FROB for certain risks that could be faced in the future by NCG (see Note 13).

Therefore, at December 31, 2013, the shareholding in NCG has been transferred to "Non-current assets held for sale". "Impairment and Gains or Losses on Disposal of Financial Instruments - Impairment and Other Losses" in the consolidated income statement for 2013 includes EUR 1,651,000 thousand relating to the difference between the sale price and the carrying amount at which such participation was recorded prior to the transaction (2012: EUR 3,091,000 thousand).

The effectiveness of such sale is subject to compliance with certain pending conditions at the date of preparation of the annual accounts; among others, the approval of the amendment of the Resolution Plan by the European Commission.

The sale agreement will be executed in a public deed within ten working days from the date on which the compliance with the pending conditions occurs, time at which the transfer of shares and the first payment of the agreed price will be performed.

Meanwhile, in order to complete the resolution plan of the entity, the Executive Committee of the Bank of Spain, at its meeting on 17 January, 2014, agreed to replace the Board of Directors of the entity and the appointment of the FROB as the entity's administrator.

Banco Gallego, S.A. ("Banco Gallego")

In late 2012 began the divestment of NCG in Banco Gallego's investment.

On 19 April 2013, the Governing Committee of the FROB agreed awarding Banco Gallego to Banco Sabadell S.A.. The terms of the formalized sale agreement included the FROB subscription of a capital increase of Banco Gallego amounting to EUR 245 million, and the subsequent transmission of all the shares to Banco Sabadell for the price of EUR 1, which took place in October 2013.

Accordingly, we proceeded to record an impairment loss of EUR 245 million which is recognised under "Impairment and Gains or Losses on Disposal of Financial Instruments - Impairment and Other Losses" in the accompanying income statement for year 2013.

7. Financial assets

7.1 Detail of financial assets

The detail, classified in accordance with applicable legislation, of the financial assets owned by the FROB at 31 December 2013 and 2012 is as follows:

2013

Classes / Categories	Thousands of Euros						
	Non-Current Financial Instruments			Current Financial Instruments			Total
	Equity Instruments (Note 7.2)	Debt Instruments (Note 7.3)	Loans, Derivatives and Other (Note 13.1)	Equity Instruments	Debt Instruments (Note 7.4)	Loans, Derivatives and Other (Note 7.5)	
Investments in Group companies, jointly controlled entities and associates (*)	13,303,805	-	-	-	-	-	13,303,805
Loans and receivables	-	2,787,400	100,750	-	36,811	703,092	3,628,053
Available-for-sale financial assets	-	2,699,203	-	-	3,343,647	-	6,042,850
Total	**13,303,805**	**5,486,603**	**100,750**	-	**3,380,458**	**703,092**	**22,974,708**

(*) Includes the amount of the investments, net of their accumulated impairment (see Note 7.3).

2012

Classes / Categories	Thousands of Euros						
	Non-Current Financial Instruments			Current Financial Instruments			Total
	Equity Instruments (Note 7.2)	Debt Instruments (Note 7.3)	Loans, Derivatives and Other (Note 7.5)	Equity Instruments	Debt Instruments (Note 7.4)	Loans, Derivatives and Other (Note 7.5)	
Investments in Group companies, jointly controlled entities and associates (*)	11,548,560	-	-	-	-	-	11,548,560
Loans and receivables	-	2,922,345	112	-	72,112	976,648	3,971,217
Available-for-sale financial assets	-	1,825,029	-	-	6,135,630	-	7,960,659
Total	**11,548,560**	**4,747,374**	**112**	-	**6,207,742**	**976,648**	**23,480,436**

(*) Includes the amount of the investments, net of their accumulated impairment (see Note 7.3).

7.2. Non-current investments in Group companies and associates – Equity instruments

The detail of the investments comprising "Non-Current Investments in Group Companies and Associates – Equity Instruments" in the balance sheet at 31 December 2013 and 2012 is as follows:

2013

Company	%	Location	Thousands of Euros					
			Data on the Investees' Assets (*)			Carrying Amount of the FROB's Investment		
			Share Capital	Reserves and Other Equity Items	Profit (Loss) Attributable to the Parent	Cost	Impairment Loss	Carrying Amount
Catalunya Banc, S.A.	66.01%	Barcelona	1,978,783	20,800	532,185	9,084,000	(7,226,000)	1,858,000
Banco Financiero y de Ahorros, S.A.	100%	Madrid	17,959,000	(11,262,875)	1,996,760	17,959,000	(8,467,000)	9,492,000
Banco Mare Nostrum	65.027%	Madrid	1,613,653	440,079	22,794	1,645,000	(231,255)	1,413,745
SAREB	45.01%	Madrid	300,060	628,553	(260,533)	540,060	-	540,060
						29,228,060	**(15,924,255)**	**13,303,805**

(*) The data relating to the equity position of these companies were obtained from the audited consolidated financial statements at 31 December 2013, excluding non-controlling interests.

2012

Company	%	Location	Thousands of Euros					
			Data on the Investees' Assets (*)			Carrying Amount of the FROB's Investment		
			Share Capital	Reserves and Other Equity Items	Profit (Loss) Attributable to the Parent	Cost	Impairment Loss	Carrying Amount
Banco Financiero y de Ahorros, S.A.	100%	Madrid	17,959,000	(674,946)	(10,791,410)	17,959,000	(9,176,000)	8,783,000
NCG Banco, S.A.	100%	A Coruña	1,480,524	7,753,028	(7,937,457)	5,425,000	(3,091,000)	2,334,000
SAREB	45.16%	Madrid	238,998	716,812	(5,488)	431,560	-	431,560
						23,815,560	**(12,267,000)**	**11,548,560**

(*) The data relating to the equity position of these companies were obtained from the audited consolidated financial statements at 31 December 2011, excluding non-controlling interests.

The changes in "Non-Current Investments in Group Companies and Associates - Equity Instruments" in the accompanying balance sheet in 2013 and 2012 are as follows:

	Thousands of Euros
Balance at 31 December 2011	-
Additions	38,398,008
Transfers	(2,410,000)
Net charge for impairment losses	(24,439,448)
Balance at 31 December 2012	**11,548,560**
Additions	838,500
Transfers (*)	749,745
Net charge for impairment losses	167,000
Balance at 31 December 2013	**13,303,805**

(*) Of which EUR 2,410,000 thousand relate to the reclassification of CX from the heading "Non-current assets held for sale" (see Note 6). EUR 2,334,000 thousand relate to the reclassification of the NCG to " Non-current assets held for sale" (see Note 6) and EUR 915,000 thousand and a corresponding impairment of EUR 241,255 thousand, corresponding to the conversion of the BMN preference shares (see Note 7.3).

Catalunya Banc, S.A. ("CX")

On 27 November 2012, the Governing Committee of the FROB and the Executive Committee of the Bank of Spain approved the resolution plan of Catalunya Banc, S.A. (CX), which was approved by the European Commission on 28 November 2012.

In accordance with Articles 5 and 64.a) of Law 9/2012, the entity's economic value was determined (a negative amount of EUR 6,674,000 thousand) and was approved by the Governing Committee of the FROB on 14 December 2012. At the same time, for the purposes of complying with Article 44.2.b) of Law 9/2012, the entity's liquidation value was estimated, at a negative amount of EUR 17,846,000 thousand.

On 17 December 2012, the General Audit Office of the State Administration, in compliance with Article 30.1 of Law 9/2012, issued a report on compliance with the applicable rules of procedure for determining the conversion price of the convertible preference shares and the subscription price of the new shares.

At the same date, the Bank of Spain having confirmed the entity's impossibility to redeem the convertible preference shares subscribed by the FROB within the term established in the issue prospectus, a resolution was passed by the Governing Committee of the FROB, pursuant to Article 28.4 of Law 9/2012 and in accordance with the resolution plan, to request their conversion into ordinary shares of Catalunya Banc in the amount of EUR 1,250,000 thousand (see Note 7.3), which took place on 18 December 2012. At that date, in the FROB's accounts, these preference shares were fully impaired.

Also, taking into consideration the negative value of CX, at the same date, the FROB purchased all the shares of CX, which owned the special foundation arising from the former Caixa d'Estalvis de Catalunya, Tarragona i Manresa. As a result, the FROB became the sole shareholder of the Bank.

On 27 December 2012, in the framework of the resolution plan approved by the Bank of Spain, a capital increase of EUR 9,084,000 thousand was carried out, through the non-monetary contribution by the FROB of securities issued by the European Stability Mechanism (see Note 8.3).

In 2012 the FROB, under the plan of entities resolution indicated in Note 1, made the decision to start the appropriate actions for the sale of its investment in CX. As a result, at 31 December 2012 that investment was classified as "Non-current assets held for sale" for a net amount of EUR 2,410,000 thousand (see Note 6).

On 4 March 2013, after the deadline for submission of non-binding offers for the acquisition of the entity, the FROB announced its intention not to advance in the process of adjudication. As a result, at 31 December 2013, the FROB has rated this participation under "Non-current Investments in Group companies and associates-Equity instruments".

On 5 July 2013, as a result of the exchange of hybrid instruments, a capital increase of 670,046,873 shares of Series A and 2,533,642 shares of series B, of EUR 1 face value each and EUR 0.81161951832828 of share premium. After this operation, the FROB investment in the entity amounts to 66.01% of its share capital, further still a 32.39% is owned by the Deposit Guarantee Fund.

Finally, the FROB estimated the recoverable amount of this holding in accordance with the criteria described in Notes 2.4 and 4.5 above. Following this analysis, it recognised an impairment loss on this investment under "Impairment and Gains or Losses on Disposal of Financial Instruments - Impairment and Other Losses" in the accompanying income statement amounting to EUR 552,000 thousand.

On 2 June 2014, the FROB has agreed to the start of the entity's auction process (see Note 6).

Banco Financiero y de Ahorros, S.A.U. ("BFA")

On 9 May 2012, the Board of Directors of BFA resolved to submit a request to the FROB, through the Bank of Spain, to apply the conversion process in order to convert the EUR 4,465 million issued in convertible preference shares subscribed by the FROB (see Note 7.3) into shares of the Bank. At its meeting of 14 May 2012, the Governing Committee of the FROB resolved to accept this request.

On 23 May 2012, BFA sent notifications to both the Bank of Spain and the FROB requesting a capital contribution of EUR 19,000 million as a result of the requirement made by the Bank of Spain pursuant to Royal Decree-Law 2/2012 and Royal Decree-Law 18/2012. On 24 May 2012, BFA was notified by both institutions of their willingness to immediately provide the aforementioned financial support once the requirements established in their regulations had been met.

The European Commission provided temporary authorisation, in accordance with EU State aid legislation, for the conversion of the state-owned convertible preference shares amounting to EUR 4,465 million into capital and granted the possibility to issue state-backed aid amounting to EUR 19,000 million to the BFA Group and its subsidiary Bankia.

On 27 June 2012, following completion of the convertible preference share conversion process (which gave rise, among other effects, to the prior reduction to zero of the Bank's share capital through the retirement of the 27,040,000 shares that, prior to the implementation of the conversion process, were owned by the Savings Banks), the FROB became the Bank's sole shareholder.

On 12 September 2012, in order to strengthen the regulatory capital position of the BFA - Bankia Group, while the restructuring process was being completed, the FROB resolved to increase the share capital of BFA through a non-monetary contribution of EUR 4,500 million. At the same date, BFA granted a subordinated loan amounting to EUR 4,500 million, with an indeterminate maturity and an 8% interest rate, to Bankia, S.A.

Lastly, on 28 November 2012, the BFA-Bankia Group received approval from the European Commission, the Bank of Spain and the FROB for its restructuring plan for 2012 to 2017. The restructuring plan contained the final estimate of the public aid requirements at the BFA Group, which was EUR 17,959 million.

In this context, on 26 December, in the framework of the restructuring plan mentioned above, the FROB passed the following resolutions:

i) A capital increase of EUR 13,459 million at Banco Financiero y de Ahorros, S.A.U., which was subscribed and paid by the FROB through the non-monetary contribution of securities of the European Stability Mechanism (ESM). This increase followed another of EUR 4,500 million performed on 12 September 2012, which was carried out through the non-monetary contribution of treasury bills. These treasury bills were also exchanged for ESM securities (see Note 8.3).

ii) The issue by Bankia of contingent convertible bonds with the disapplication of pre-emption rights amounting to EUR 10,700 million, which were also fully subscribed by BFA through the contribution of fixed-income securities issued by the ESM.

On 16 April 2013, the FROB's Governing Committee passed a Resolution to perform the following recapitalisation and hybrid capital management of BFA-Bankia Group restructuring plan:

i) A reduction in the Bankia S.A. share capital of EUR 3,968 million through a decrease in the par value of the shares from EUR 2 to EUR 0.01, resulting in share capital amounting to EUR 19,940 thousand, compared with an initial amount of EUR 3,987,927 thousand, the purpose of which is to set up a voluntary, unavailable reserve to absorb losses.

ii) A 100-1 reverse split to reduce the number of outstanding shares and, in particular, to ensure an appropriate share price, resulting in 19,939,633 new shares of EUR 1 par value each.

iii) Full early redemption of 107,000 contingent convertible bonds issued by Bankia, S.A. for a par value of EUR 100,000 each.

iv) A capital increase with pre-emptive subscription rights amounting to EUR 10,700 million.

v) A capital increase at Bankia, S.A. with disapplication of pre-emption rights and the possibility of incomplete subscription, for a maximum amount of EUR 5,209,948 thousand, required for meeting the cash payment relating to the buyback of BFA preference shares, the subordinated bonds with no fixed maturity date of Bankia, S.A. and the subordinated bonds with a fixed maturity date of BFA for which the exchange option has been taken.

Also, on 23 and 27 May 2013 two Bankia's significant events were published at the CNMV, whereby the share capital at this entity was set to 11,517,328,544 fully paid and subscribed registered shares with a par value of EUR 1 each. This was the result of the capital increase with pre-emptive subscription rights carried out from 30 April 2013 to 14 May 2013. Of these shares, 3,841,040,108 belong to BFA through the exercise of its pre-emptive subscription rights and 4,010,665,326 by virtue of its commitment to subscribe any shares not subscribed by the other shareholders in the pre-emptive subscription period. Thus, BFA contributed EUR 10,620.7 million and third party shareholders contributed EUR 79,3 million.

In turn, as part of the hybrid capital instruments and subordinated debt management exercises agreed by the FROB were issued and signed: 3,587,064,839 shares of EUR 1 face value and EUR 0.35266266 premium each one of them, totalling EUR 4.852 million of capital increase, and EUR 242 million were exchanged for senior debt to wholesalers and retailers' deposits.

Once these two capital increases were performed, BFA participation in the share capital of Bankia increased to 68.39%.

The commitments agreed with the authorities, as part of the restructuring plan, contemplated that BFA should take some of the following measures prior to 31 December 2013:

- its merger into a single company with Bankia, S.A.; or,

- its conversion into a holding company without a banking license.

In this sense, last 19 December 2013, the Board of Directors of BFA agreed, pursuant to a resolution adopted by the FROB's Governing Committee, request the waiver to continue operating as a credit institution. At the date of preparation of these annual accounts resolution of the request is ongoing.

At year-end 2013, according to the criteria set out in Notes 2.4 and 4.5 above, the FROB has proceeded to estimate the recoverable amount of such investment. After the analysis it has proceeded to record a recovery of impairment on such participation of EUR 709,000 thousand, credited to the heading "Impairment and Gains or Losses on Disposals of Financial Instruments - Impairment and other losses" from the statement of income of the attached exercise

Management Company of the Assets Originating from Bank Restructuring ("SAREB")

The provisions of Royal Decree-Law 24/2012, of 31 August 2012, on restructuring and resolution of credit institutions repealed by Royal Decree-Law 9/2012, of 14 November, on restructuring and resolution of credit institutions established the creation of SAREB, the main purpose of which is the administration and disposal of assets from nationalised entities and of those who have received financial assistance, in a 15-year time horizon. The legal regime governing SAREB is stipulated by the mentioned Law 9/2012.

On 17 December 2012, SAREB carried out a capital increase in which the FROB subscribed a total of EUR 431,560 thousand, representing 45.15% of this entity's share capital at 31 December 2012.

On 13 February 2013, the General Meeting of Shareholders of SAREB approved a capital increase of the Company through the issuance of 61,062,500 ordinary shares of EUR 1 face value and share premium of EUR 3 each; prior to it a waiver of pre-emption by the shareholders of the entity was issued. The subscription and payment was made on 19 February 2013, amounting to EUR 108,500 thousand, corresponding to 27,125,000 shares. Following this transaction, the FROB owns 45.01% of the share capital of such entity.

According to the criteria set out in Notes 2.4 and 4.5 above, the FROB has proceeded to estimate the recoverable amount of such investment on the basis of the Business Plan prepared by the Board of Directors of the aforementioned company on 26 February 2014 concluding that it is not necessary to record a valuation adjustments for impairment. The main assumptions on which such plan is made are the following:

- Sales by analysis of absorption rates and prices based on macroeconomic variables.
- Proactive management for placing for rent a significant volume of households.
- Urban development of land with pending management for subsequent sale and property development on a pack of land owned by the company.

On these and other assumptions, the model takes into account the full return of capital and subordinated debt issued by SAREB.

On 16 May 2014, Bank of Spain issued a Draft Circular that could have, if approved, impact on the results of the entity. This project includes the development of the criteria on which will be based the methodology used by SAREB to estimate the present value of the assets, which will be consistent with that used for the determination of transfer prices to SAREB. According to this provision, later assessments shall be calculated considering the specificities of SAREB, taking into account the evolution of market prices and in accordance with the timeframes set out in the Business Plan. Value adjustments made necessary by application of the above methodology will be calculated by units of assets.

Banco Mare Nostrum, S.A.("BMN")

On 15 February 2013, the Governing Committee of the FROB agreed the novation of the issue deed of the convertible preference shares subscribed on 27 December 2010 and requesting the conversion of those preferred shares into ordinary shares of BMN. This conversion, which is part of the actions envisaged in the BMN restructuring plan passed by the FROB, the Bank of Spain and the European Commission on 19 and 20 December, 2012, occurred on 19 February 2013 by a total amount of EUR 915 million entitling 323,756,409 new ordinary shares in the company.

On 12 March 2013, the FROB proceeded to the subscription and payment of an extension of capital of 725,554,629 shares of EUR 1 par value each, for a total amount of EUR 730 million, through non-monetary contribution of debt securities issued by the European Stability Mechanism (ESM).

On 27 May 2013, through a Resolution of the Governing Committee of the FROB, management actions of capital hybrids and subordinated debt, in compliance with the restructuring plan, were implemented. On 24 June 2013, the Governing Committee of the FROB executed the agreed capital increase amounting to EUR 309 million through the issuance and payment of 230,518,234 new shares. Following the management exercise of hybrids, the FROB's holding in the entity rose to 65,027% of the share capital.

In 2013 a plan for BMN Group to enter the Stock market was made.

According to the criteria set out in Notes 2.4 and 4.5 above, the FROB has proceeded to estimate the recoverable amount of such investment. After the analysis it has proceeded to record a recovery of impairment on such investment in "Impairment and Gains or Losses on Disposal of Financial Instruments - Impairment and Other Losses" in the accompanying yearly income statement amounting to EUR 10,000 thousand.

7.3. Non-current financial assets - Debt instruments classified as "loans and receivables" and "available-for-sale financial assets"

This line item includes, at year-end 2013, contingently convertible subordinated unsecured obligations issued by SAREB and subscribed by the FROB and contingent convertible bonds disbursed by the FROB as public support for Group 2 entities (CoCos). At 31 December 2012, were classified in this item the preference shares convertible into shares acquired by the FROB in accordance with the provisions of Article 10 of Royal Decree-Law 9/2009 (see Note 1).

The detail of the investments comprising "Non-Current Financial Assets - Debt Instruments" in the balance sheet at 31 December 2013 and 2012 is as follows:

2013

Data in thousands of euros

Issuing Entity	Financial Instrument	Payment Date	Nominal Amount	Impairmet Loss	Carrying Amount	Accrued Coupon (Note 7.4)	Interest Rate (1)	Interest Accrued (Note 7.6)	Repurchase Date (2)	Guarantees
Banco Ceiss, S.A. (3)	CoCos	30/4/2013	604,000	-	604,000	34,461	8.5%	34,461	Perpetual	Unlimited liability of the issuer
Banco Grupo Caja 3, S.A. (3)	CoCos	12/3/2013	407,000	-	407,000	1,801	8.5%	27,866	Perpetual	Unlimited liability of the issuer
Liberbank, S.A. (3)	CoCos	12/3/2013	124,000	-	124,000	549	8.5%	8,490	Perpetual	Unlimited liability of the issuer
SAREB (4)	Subordinated Debt	31/12/2012	1,271,600	-	1,271,600	-	8.00%	-	27/11/2027	-
SAREB (4)	Subordinated Debt	26/02/2013	380,800	-	380,800	-	8.00%	-	27/11/2027	-
Total			**2,787,400**	-	**2,787,400**	**36,811**		**70,817**		

(1) The CoCos have a fixed remuneration of 8.5% plus certain annual increases. The interest rate will increase by 25 basis points at the completion of the first year after the subscription, as observed from the second year it will be increased annually by 50 basis points. The remuneration of 8.5% is made conditional on the existence of profit or distributable reserves and on compliance with minimum regulatory levels of equity.
The Bank of Spain may require the cancellation of the cash interest rate based on the financial and solvency situation of the entity or its consolidated group. In these cases the Bank shall pay compensation to FROB by delivering a volume of CoCos or entity shares equivalent, in economic value, to the amount of compensation that should have been paid.

(2) The CoCos are perpetual. However, as established by Law 9/2012, the entity has to repurchase or redeem the securities as soon as it is able to do so under the terms involved in the restructuring plan.
Also, the FROB may voluntarily encourage the conversion into shares of the issuer in the following dates and assumptions; (i) on the fifth anniversary from the date of disbursement, the FROB will request conversion in a maximum of 6 months, or (ii) at any time prior to the fifth anniversary from the date of disbursement if, with previous report of the Bank of Spain, the FROB considers unlikely that the repurchase of the CoCos could take place. Additionally there is the contingent event for which the conversion is automatic, which would occur when the issuer submits a core capital ratio of less than 5.125%.

(3) The CoCos are placed in order of priority: (i) behind all creditors, subordinated or not; (ii) behind the holders of preference shares and/or preferred stock; (iii) in the same order of priority as other issues of convertible preference shares and other securities equivalent to these convertible securities; and (iv) ahead of ordinary shareholders

(4) Convertible subordinated debentures are placed in order of priority: (i) behind all general creditors of the entity; (ii) "Pari passu" with any subordinate, simple or convertible debt of the entity, issued or to be issued in the future; and (iii) ahead of the common or preferred shares of the company.

2012

Data in thousands of euros

Issuing Entity	Financial Instrument	Payment Date	Nominal Amount	Impairment Loss	Carrying Amount	Accrued Coupon (Note 7.4)	Interest Rate (1)	Interest Accrued (Note 7.6)	Repurchase Date (2)	Guarantees
Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	Preference Shares	29/10/10	525,000	(525,000)	-	-	7.90%-8.05%	38,725	5 years	Unlimited liability of the issuer
Banco Mare Nostrum, S.A. (3)	Preference Shares	31/12/10	915,000	(241,255)	673,745	-	7.90%	73,811	5 years	Unlimited liability of Banco Mare Nostrum, S.A. and severally guaranteed by each of the savings banks
Banca Cívica, S.A. (4)	Preference Shares	11/02/11	977,000	-	977,000	72,112	7.75%-7.90%	78,784	5 years	Unlimited liability of BancoCívica, S.A. and severally guaranteed by each of the savings banks
SAREB	Subordinated Debt	31/12/12	1,271,600	-	1,271,600	-	8.00%	-	15 years	-
Total			**3,688,600**	**(766,255)**	**2,922,345**	**72,112**		**191,320**		

(1) This will increase by 15 basis points on each anniversary of the payment date (up to, and including, the fifth year). Subsequent to the fifth year, if the FROB grants an extension to the repurchase period, the rate will increase by 100 annual basis points (in a maximum period of two years).

(2) The preference shares will be repurchased from the FROB on one or more occasions as soon as it is able to do so within a maximum five-year period. Under certain circumstances, the issuer may request the FROB for an extension of said term of up to a maximum of two years, which must be authorised by the Bank of Spain. Subsequent to the fifth year, or the seventh year in the event of an extension, where the preference shares have not been repurchased by their issuer, the FROB will have six months in which to request the conversion of the preference shares into shares. Similarly, the FROB may request at any time the conversion into the issuer's shares if the Bank of Spain considers that the repurchase of the preference shares within the time limits set for these cases is unlikely. The acquisition or subscription price will be set, where appropriate, in accordance with the economic value of the credit institution.

(3) The company to which the financial business of Caja General de Ahorros de Granada, Caja de Ahorros de Murcia, la Caixa d'Estalvis del Penedés and Caja de Ahorros y Monte de Piedad de Baleares ("SA NOSTRA") was transferred.

(4) The company to which the financial business of Caja de Ahorros y Monte de Piedad de Navarra, Caja General de Ahorros de Canarias and Caja de Ahorros Municipal de Burgos (the founding savings banks) was transferred, and which Monte de Piedad and Caja de Ahorros San Fernando de Guadalajara, Huelva, Jerez y Sevilla (CajaSol) joined subsequently.

Movements in this line item in 2013 and 2012 are as follows:

	Thousands of Euros
Balance at beginning of 2012	**2,417,000**
Additions	1,271,600
Transfers (Notes 6 and 7.2)	-
Net charge for impairment losses	(766,255)
Balance at 31 December 2012	**2,922,345**
Additions	1,515,800
Transfers (Note 7.2)	(673,745)
Disposals	(977,000)
Net charge for impairment losses	-
Balance at 31 December 2013	**2,787,400**

SAREB

On 31 December 2012, the FROB subscribed an issue of subordinated bonds launched by SAREB, the paid amount being EUR 1,271,600 thousand and the maturity date 27 November 2027. On 26 February 2013, the FROB subscribed a second issue of subordinated debentures, with the same expiration date as the first issue, amounting to EUR 380,800 thousand.

These bonds are classified as non-guaranteed, subordinated debt contingently convertible into newly-issued, ordinary shares of SAREB and partial redemption is possible at the discretion of SAREB as from the fifth year of the issue, according to their solvency and leverage ratios. The accrual of interest is subject to the obtainment by SAREB of sufficient distributable profit. If this condition is met, for the payment of such interest that there be adequate cash shall be required. Otherwise, the payment will be delayed as a non-subordinated credit payable to the FROB until SAREB has sufficient cash to meet the payment. The accrued payable amount will in turn accrue interest at 12-month Euribor. If the payment of interest is declared, the applicable interest rate will be a fixed annual rate of 8% on the unmatured bonds. Since in 2013 SAREB obtained no distributable profit, the FROB has not registered interests on such assets in 2013.

In case of insufficient SAREB equity the subordinated debt will be convertible into equity capital by: i) the existence of cumulative losses that result equal or above the share capital plus reserves or ii) in the case of dissolution by losses that reduce its net assets to an amount less than half of its share capital. Assuming the conversion occurs, the shares will be of the same par value, of the same class and series and with the same rights as the ordinary shares, and shall be made for an amount such that the share capital represents 2 % of the assets value after conversion.

At 31 December 2013, based on the business plan of SAREB whose assumptions are described in Note 7.2, there is no evidence of impairment of these investments.

Banco de Caja España de Inversiones, Salamanca y Soria, S.A. ("Banco Ceiss")

On 24 April 2013, as part of the entity's resolution process, a decision was taken by the FROB to inject public aid through the subscription of bonds contingently convertible into ordinary shares (CoCos) of Banco Ceiss amounting to EUR 604 million, paid on 30 April through a non-monetary contribution consisting of ESM securities.

In addition, on 16 May 2013, the Governing Committee of the FROB resolved to perform certain recapitalisation and hybrid capital and subordinated debt instrument management exercises in the implementation of the resolution plan of the entity, consisting of: i) reduce capital to zero through the redemption of 888,837,000 current shares of EUR 1 par value each, in order to set up a voluntary, restricted reserve to absorb losses; ii) increase capital with disapplication of pre-emption rights for the current shareholders, for the conversion into shares of the convertible preference shares subscribed by the FROB amounting to EUR 525,000 thousand, with a nominal amount of EUR 392,664 thousand and a share premium of EUR 132,336 thousand; iii) reduce capital to zero through the redemption of the shares mentioned in the previous point, in order to absorb losses; iv) increase capital, with the possibility of incomplete subscription and the disapplication of pre-emption rights amounting to EUR 34,282 thousand, for the implementation of the hybrid capital and subordinated debt instrument management exercises.

On 4 July 2013, was published a Resolution of the Governing Committee of the FROB amending the Resolution of 24 April 2013 regarding the timing of payment of remuneration to the issuance of CoCos by Bank CEISS establishing that the remuneration of the first pay period happens to have an annual basis, keeping the rest on a quarterly basis.

On 9 May 2013, the Governing Committee of the FROB approved an amendment to the Banco Ceiss Resolution Plan to incorporate the offer of Unicaja Banco. This amendment was passed by the Executive Committee of the Bank of Spain on 10 May 2013, and by the European Commission on 13 May 2013.

On 26 November 2013, the FROB agreed to a review and protection mechanism of the retail clients of Banco CEISS affected by the action on hybrids (see Note 13.2).

Interest earned on these assets in 2013 amounted to EUR 34,461 thousand (see Note 7.6), which are outstanding at 31 December 2013, so they are recognised under "Current financial assets – Debt security" (see Note 7.4).

Banco Mare Nostrum, S.A. ("BMN")

On 15 February 2013, the Governing Committee of the FROB, as part of the BMN's restructuring process, agreed the conversion of these preference shares into ordinary shares of the bank. (see Note 7.2).

Banca Cívica, S.A. ("Banca Cívica")

On 8 April, 2013 CaixaBank, S.A. repaid the convertible preference shares issued by Banca Civica and subscribed by the FROB in 2011 for EUR 989,067 thousand, of which EUR 977,000 thousand relate to the par value of the preference shares and the remainder to accrued interests unpaid to date.

Interest earned on these assets amounted to EUR 17,137 thousand, which are recognised under "Financial income –Interest of preference shares" see Note 7.6.

Banco Grupo Caja 3, S.A. ("Caja 3")

Under the provisions of Caja3 restructuring plan, the Governing Committee of the FROB agreed, on 12 April 2013, to fully underwrite the issue by the Bank of contingently convertible bonds ("CoCos") amounting to EUR 407,000 thousand which were fully subscribed and paid by the FROB, by delivery of fixed-rate bonds issued by the European Stability Mechanism.

On 25 July 2013, subject to fulfilment of certain conditions and by obtaining the administrative mandatory exemptions and authorizations, Ibercaja Bank has become the owner of 100% of the share capital of Caja3.

Interest earned on these assets in 2013 amounted to EUR 27,866 thousand (see Note 7.6), of which EUR 1,801 thousand are outstanding at 31 December 2013, so they are recognised under "Current Financial Assets - Debt Instruments" (see Note 7.4).

Liberbank, S.A.

Under the provisions of Liberbank restructuring plan, the FROB's Government Committee agreed on 8 March 2013, to fully underwrite the issue by the Bank of contingently convertible bonds ("CoCos") amounting to EUR 124,000 thousand which were fully subscribed and paid by the FROB on 12 March 2013, by delivery of fixed-rate bonds issued by the European Stability Mechanism.

Interest earned on these assets in 2013 amounted to EUR 8,490 thousand (see Note 7.6), of which EUR 549 thousand are outstanding at 31 December 2013, recognised under "Current Financial Assets - Debt Instruments" (see Note 7.4).

In addition, at 31 December 2013, the FROB had recognised under "Non-Current Financial Assets - Debt Instruments" certain State debt titles, classified as available-for-sale financial assets with a market value of EUR 2,699,203 thousand (EUR 1,825,029 thousand at 31 December 2012). The interest earned on these securities in 2013 amounted to EUR 63,868 thousand (EUR 30,707 thousand in 2012) recognised under "Finance Income – Public Debt Interest" in the accompanying income statement (see Note 7.6). The valuation adjustments at the mentioned date amounting to EUR 17,583 thousand had been recognised under "Valuation Adjustments - Available-for-Sale Financial Assets".

7.4. Current financial assets - Debt instruments classified as "loans and receivables" and "available-for-sale financial assets"

The detail of "Current Financial Assets - Debt Instruments" at 31 December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Spanish government debt securities	3,343,647	5,338,793
Securities issued by the ESM	-	796,837
Interest from preference shares	-	72,112
Interest from convertible bonds (Note 7.3)	36,811	-
Total	**3,380,458**	**6,207,742**

At 31 December 2013 and 2012, the balance recognised under "Spanish Government Debt Securities" of the foregoing table is composed of state debt all of which was classified as available-for-sale financial assets with a market value of EUR 3,343,647 thousand (EUR 5,338,793 thousand at 31 December 2012). The interest earned on these securities in 2013 amounted to EUR 31,842 (EUR 17,505 thousand in 2012) and is recognised under "Finance Income – Public Debt Interest" in the accompanying income statement (see Note 7.6). At December 2013, negative valuation adjustments relating to these securities, amounting to EUR 5,501 thousand (EUR 16,248 thousand at 31 December 2012), had been recognised under "Valuation Adjustments - Available-for-Sale Financial Assets".

Also, in the course of 2013 and 2012, the FROB acquired treasury bills, bonds and debentures that matured in the year and generated interest amounting to EUR 86,437 thousand (EUR 36,847 thousand in 2012), which was recognised under "Finance Income – Government Debt Interest" in the accompanying income statement (see Note 7.6).

In 2013 have also been sold government bonds with a result of EUR 143,610 thousand recognised under "Allocation to profit or loss of fair value changes in available-for-sale financial assets" in the income statement (2012: EUR 30 thousand).

"Securities Issued by the ESM" in the foregoing detail relate to the ESM securities classified as "loans and receivables" that the FROB had not used among the recapitalised banks and that were included in its assets at 2012 year-end (see Note 8.3) , with maturity date in February 2013. The interest earned on these securities in 2013 amounted to EUR 625 thousand (EUR 3,534 thousand in 2012) and is recognised under "Finance Income – Public Debt Interest" in the accompanying income statement (see Note 7.6).

Lastly, the balance recognised under "Interest from Preference Shares" in the foregoing table at 31 December 2012 related in full to the pending accrued interest from the Banca Cívica preference shares acquired by the FROB, which were classified under "Loans and Receivables" (see Note 7.3).

7.5. Current financial assets - Loans to third parties classified as "loans and receivables"

The detail of the loans to companies classified as current "loans and receivables" at 2013 and 2012 year-end is as follows:

	Thousands of Euros	
	2013	2012
Deposit Guarantee Fund loan	700,000	953,264
Interest on the Deposit Guarantee Fund loan	3,092	15,345
APS loan	-	7,169
Interest	-	89
Credit facilities	-	781
Total	**703,092**	**976,648**

Loan from Fondo de Garantía de Depósitos

The Management Committee of the Deposit Guarantee Fund (DGF) at its meeting held on 4 and 7 June 2013, approved two bids related to the shares that NCG Banco, S.A. and Catalunya Banc, S.A. would issue under management exercises of hybrid capital instruments and subordinated debt that could be approved by the FROB, subject thereto to obtain the necessary financing until 28 February 2014, to the extent that the total purchase price of the shares subject to such bids exceeded EUR 1,100 million. Once the period of acceptance of offers is over, the total amount to be paid by the DGF amounted to EUR 1,802,627 thousand so that on 18 July 2013 the FROB granted the DGF a loan amounting to EUR 700,000 thousand, maturing on 28 February 2014. Accrued interest on this loan in 2013 amounted to EUR 3,092 thousand (see Note 7.6) that were outstanding at 31 December 2013.

At the date of preparation of these annual accounts, the amount corresponding to the principal and accrued interest was fully satisfied by the DGF.

Moreover, in March 2013 there happened the amortization of the loan of 31 July 2012 to DGF for compensation for losses incurred in the sale of the FROB's investments in Unnim Banc S.A. amounting to EUR 953,264 thousand. The interest earned in 2013 on this loan amounted to EUR 3,140 thousand (see Note 7.6).

APS loan

In the context of the restructuring process of CajaSur, which resulted in the transfer on 1 January 2011 of this savings bank's assets and liabilities to Bilbao Bizkaia Kutxa ("BBK"), the FROB granted an Asset Protection Scheme (APS) to cover any losses arising from a closed portfolio of CajaSur assets. By virtue of the APS, the FROB assumed, up to a maximum of EUR 392,000 thousand, 90% of any potential losses that might arise from the portfolio of guaranteed assets, the total nominal amount of which was EUR 5,542,518 thousand (see Note 13).

Additionally, the FROB granted BBK a loan ("APS loan") with the following characteristics:

- Amount: EUR 392,000 thousand.
- Maturity date: 31 August 2015.
- Interest: 1-year Euribor + 0.5%.
- Repayments: are made progressively by partially offsetting the loan principal with the amount that the FROB would otherwise have had to pay BBK for the APS, after deducting from this amount that which BBK would have had to pay to the FROB in repayment of the APS.

At 31 December 2012, the outstanding balance of the APS loan granted to BBK, which amounted to EUR 7,169 thousand, was recognised under "Current Financial Assets - Loans to Third Parties". In February 2013 the settlement of losses guaranteed by the APS relevant to 2012, amounting to EUR 7,169 thousand plus accrued interest for the amount of EUR 89 thousand (see Note 7.6) was performed. Consequently, it has been reached the maximum guaranteed loss in the APS by the FROB (EUR 392 million), and therefore, the APS granted loan has been fully amortised.

Credit facilities

On 21 November 2011, the Executive Committee of the Bank of Spain, at the request of the Board of Directors of Banco de Valencia, appointed the FROB as provisional administrator of Banco de Valencia, S.A. It was agreed that aid would be granted to the entity through a capital injection and the granting of a credit facility with a maximum amount of EUR 2,000,000 thousand to ensure its liquidity during the restructuring process, with a maturity date of 22 May 2013.

After the completion of the sale of the entity to CaixaBank, S.A. in February 2013 that credit was cancelled.

"Credit Facilities", included in the foregoing table, relates to the receivable accrued interest on the credit facility granted to Banco de Valencia, S.A. at 31 December 2012

7.6. Finance income

The detail of "Finance Income" in the accompanying income statement for 2013 is as follows:

	Thousands of Euros	
	2013	2012
Interest from preference shares (Note 7.3)	17,137	191,320
Bank interest (Note 5)	24,616	13,231
Loan interest (Note 7.5)		
- Interest from credit facilities (*)	-	49,357
- Interest on APS loan	-	89
- Interest on Interest on DGF loan	6,232	15,345
Interest on public debt (Notes 7.3 and 7.4)	182,772	88,593
Interest on convertible bonds (Note 7.3)	70,817	-
Total	**301,574**	**357,935**

(*) In 2012 includes EUR 11,751 thousand of interest on the credit facility held with Banco CAM until the sale of the entity to Banco Sabadell and the rest of the amount relates to the credit facility granted to Banco de Valencia (see Note 7.5).

8. Financial liabilities

8.1 Detail of financial liabilities

The detail, as required by applicable legislation, of the financial liabilities assumed by the FROB at 31 December 2013 and 2012 is as follows:

2013

Classes / Categories	Thousands of Euros					
	Non-Current Financial Instruments		Current Financial Instruments			Total
	Debt Instruments and Other Marketable Securities (Note 8.2)	Other Non-Current Payables (Note 8.3)	Debt Instruments and Other Marketable Securities (Note 8.4)	Bank Borrowings	Other Current Payables (Note 8.6)	
Accounts payable	2,500,174	13,790,488	6,481,019	559,989	319,807	23,651,477
	2,500,174	**13,790,488**	**6,481,019**	**559,989**	**319,807**	**23,651,477**

2012

Classes / Categories	Thousands of Euros					
	Non-Current Financial Instruments		Current Financial Instruments			Total
	Debt Instruments and Other Marketable Securities (Note 8.2)	Other Non-Current Payables (Note 8.3)	Debt Instruments and Other Marketable Securities (Note 8.4)	Bank Borrowings	Other Current Payables (Note 8.6)	
Accounts payable	8,774,525	39,265,376	2,364,466	-	209,048	50,613,415
	8,774,525	**39,265,376**	**2,364,466**	**-**	**209,048**	**50,613,415**

8.2 Non-current payables – Debt instruments and other marketable securities

"Non-Current Payables - Debt Instruments and Other Marketable Securities" in the accompanying balance sheet at 31 December 2013 and 2012 relates to payables arising from issues of non-convertible bonds guaranteed by the central government, agreed by the Governing Committee.

The characteristics of these issues and their subsequent *retaps* (reopening of issues made earlier) are as follows (in thousands of euros):

	Issue Date	Maturity Date	Nominal Amount		Interest Rate	Accrued interest (Note 8.7)	
			31.12.13	31.12.12		31.12.13	31.12.12
First issue	19/11/2009	19/11/2014	(*)	3,000,000	3.0%	(*)	104,580
First tap	22/12/2011	19/11/2014	(*)	290,000			
Second issue	03/02/2011	03/02/2014	(*)	3,000,000	4.5%	(*)	136,836
Third issue	12/07/2011	12/07/2016	1,750,000	1,750,000	5.5%	139,301	139,221
First tap	06/10/2011	12/07/2016	100,000	100,000			
Second tap	07/10/2011	12/07/2016	335,000	335,000			
Third tap	21/11/2011	12/07/2016	200,000	200,000			
Fourth tap	23/11/2011	12/07/2016	120,000	120,000			
Total issues			**2,505,000**	**8,795,000**		**139,301**	**380,637**

(*) These issues have been reclassified to "Current payables – Debt instruments and other marketable securities" (see Note 8.4).

The finance costs accrued by these bonds for 2012 and 2013 are recognised under "Finance Costs - Interest and Commissions" in the accompanying income statement (see Note 8.7).

At 31 December 2013 and 2012, the unmatured nominal amount of these issues is the net amount of the adjustments made as a result of using the effective interest method in order to present said issues at amortised cost. At 31 December 2013, the balance of these adjustments amounted to EUR 4,826 thousand (31 December 2012: EUR 20,475 thousand) which included, basically, the discount on the issuance and the amount of the transaction costs associated with the issue of the securities unearned at that date.

At 31 December 2013, the FROB's issues of non-convertible bonds described above had a credit rating of Baa3 from Moody's, BBB- from Standard & Poor's and BBB from Fitch.

At the date of preparation of these annual accounts, its credit rating is as follows: Baa2 by Moody's, BBB by Standard & Poor's agency and BBB+ by Fitch.

8.3 Non-current payables - Other non-current payables

On 3 December 2012, the Spanish government granted a loan to the FROB for a maximum amount of EUR 60,000 million, for the purpose of executing the European financial assistance programme for the recapitalisation of Spanish financial institutions. This loan enables the funds disbursed by the ESM FFA to the Kingdom of Spain to be channelled to the Spanish credit institutions. The financial conditions of this loan are the same as those established by the ESM FFA. In the said contract it is established, inter alia, that the State may agree the total or partial conversion of the loan into an endowment contribution to the FROB, provided that prior, written authorisation has been obtained from the ESM. (see Note 9).

The loan was disbursed in two instalments according to the detail included below, through the contribution of financial instruments (bills and bonds) issued by the ESM, whose characteristics are as follows:

ISIN	Issue Date	Initial Maturity Date (*)	Nominal Amount (Thousands of Euros)		Issue Price
			2013	2012	
Section 1					
EU000A1U97C2	11/12/2012	11/02/2013	671,284	2,500,000	100.00%
EU000A1U97D0	11/12/2012	11/10/2013	1,980,417	6,468,000	99.90%
EU000A1U98U2	11/12/2012	11/06/2014	1,990,215	6,500,000	100.00%
EU000A1U98V0	11/12/2012	11/12/2014	3,674,242	12,000,000	100.00%
EU000A1U98W8	11/12/2012	11/12/2015	3,674,242	12,000,000	100.00%
Section 2					
EU000A1U98X6	5/02/2013	5/08/2015	1,865,000	-	100.00%
			13,855,400	**39,468,000**	

(*) This maturity date refers to the financial instruments in which the loan has been materialized.

Financial instruments issued by the ESM that have not been used in July 2014 to subscribe shares or contingent convertible bonds under the FFA and the MoU shall be returned to the ESM. In this sense, the support received and not provided to the entities amounted to EUR 307,600 thousand (see Note 8.6).

On 9 December 2013, prior approval of the ESM, the partial conversion of the Spanish State loan was agreed, amounting to EUR 27,170 million in equity contribution to the endowment of the FROB (see Notes 1 and 9.1).

The first payment of the remaining principal of the loan corresponding to Instalment 1 will fall due on 11 December 2022. From that date onwards, payments are annual until its maturity in 2027. At 31 December 2013, the amount recognised under "Non-Current Payables - Other Non-Current Payables" in the accompanying balance sheet relates to the cash value minus arrangement costs. The maturity of the amount corresponding to Instalment 2 will occur in two equal parts, on 11 December 2024 and 2025, respectively.

The interest accrued on this loan in 2013 amounted to EUR 214,583 thousand (31 December 2012: EUR 10,959 thousand) and is recognised under "Finance Costs - Interest and Commissions" in the accompanying income statement (see Note 8.7) of which at 31 December 2013, were outstanding EUR 2,207 thousand (see Note 8.6).

This loan also generated finance costs relating to origination and issuance fees, which in 2013 amounted to EUR 142,001 thousand (31 December 2012: EUR 2,098 thousand) and were recognised under "Finance Costs - Interest and Commissions" in the mentioned year-end in the accompanying income statement (see Note 8.7).

8.4 Current payables – Debt instruments and other marketable securities

At 31 December 2013, the balance recognised under "Current Payables - Debt Instruments and Other Marketable Securities" in the accompanying balance sheet relates mainly to payables arising from the issues of non-convertible bonds guaranteed by the Central Government, agreed by its Governing Committee. The characteristics of this issue and its subsequent retaps at 31 December 2013 and 2012 are as follows (in thousands of euros):

	Issue Date	Maturity Date	Notional Amount (thousands of euros) 31.12.13	Notional Amount (thousands of euros) 31.12.12	Interest Rate	Accrued Interest (Note 8.7) 31.12.13	Accrued Interest (Note 8.7) 31.12.12
First issue	19/11/2009	19/11/2014	3,000,000	(*)	3.0%	104,768	(*)
First Tap	22/12/2011	19/11/2014	290,000				
Second issue	03/02/2011	03/02/2014	3,000,000	(*)	4.5%	136,921	(*)
Fourth issue	21/10/2011	21/10/2013	-	1,400,000			
First Tap	22/12/2011	21/10/2013	-	250,000	4.40%	77,286	95,397
Second Tap	23/12/2011	21/10/2013	-	500,000			
			6,290,000	**2,150,000**		**318,975**	**95,397**

(*) These issues have been reclassified to "Non-current payables – Debt instruments and other marketable securities" (see Note 8.2).

The finance costs accrued by these bonds in 2013 and 2012 are recognised under "Finance Costs - Interest and Commissions" in the accompanying income statement (see Note 8.7).

The nominal amount pending amortisation at 31 December 2013 and 2012 of this issue is recorded net of adjustments resulting from the application of the method of effective interest rate for these emissions to be presented at its amortised cost. At 31 December 2013, the balance of these adjustments amounted to EUR 5,816 thousand (31 December 2012: EUR 735 thousand) which included basically the discount in the issuance and the amount of transaction costs associated with the issue of securities pending profit to that date.

At 31 December 2013, the FROB's issue of non-convertible bonds indicated above had a credit rating of Baa3 from Moody's, BBB- from Standard & Poor's and BBB from Fitch.

At the date of preparation of these annual accounts, its credit rating is as follows: Baa2 by Moody's, BBB by Standard & Poor's agency and BBB+ by Fitch.

In addition, "Current Payables - Debt Instruments and Other Marketable Securities" on the liability side of the accompanying balance sheet at 31 December 2013 includes the earned, unpaid interest on the bond issues indicated above in Note 8.2 amounting to EUR 196,835 thousand (31 December 2012: EUR 215,201 thousand).

8.5 Current payables - Current bank borrowings

"Current payables – Current bank borrowings" in the balance sheet at 31 December 2013 corresponds to a sales operation with repurchase agreement of treasury bills amounting to EUR 559,440 thousand hired on 24 October 2013, maturing on 22 January 2014 and bearing an annual interest of 0.52%. Interest accrued by these liabilities in 2013 amounted to EUR 549 thousand (see Note 8.7) that are outstanding at 31 December 2013, and are recognised under this section.

On 27 July 2012, the credit facility entered into by the FROB with 13 entities matured. It had a limit of EUR 3,000 million and was granted for the purpose of obtaining more flexibility in its financial management while enabling it to reduce its borrowing costs without compromising its liquidity position.

At 31 December 2012, the accrued costs associated with the aforementioned credit facility consisted of the expenses relating to the arrangement fees and availability of the credit facility unaccrued until the maturity date which amounted to EUR 9,419 thousand (31 December 2011: EUR 16,500 thousand) that were recognised under "Finance Costs - Interest and Commissions" in the accompanying income statement (see Note 8.7).

8.6 Current payables - Other current payables

At 31 December 2013, the balance recognised under "Current Payables - Other Current Payables" in the accompanying balance sheet mainly relates to the accrued interest and commissions accrued and outstanding of non-current payables indicated in Note 8.3, which amounted to EUR 12,207 thousand (31 December 2012: EUR 209,048 thousand), and to the amount of aid received through the ESM and not provided to entities, amounting to EUR 307,600 thousand (see Note 8.3).

8.7 Finance costs

The detail of "Finance Costs" in the accompanying income statements for 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Interest and commissions		
- Credit facility expenses (Note 8.5)	-	9,419
- Interest on debt instruments and bonds (Notes 8.2 and 8.4)	458,276	476,034
- Interest on repurchases agreement (Note 8.5)	549	-
- Interest and commissions on other payables (Note 8.3)	356,584	13,057
Interest cost relating to provisions (Note 13.2)	36	1,743
Total	**815,445**	**500,253**

9. Equity

9.1 Equity Fund

The detail of the contributions made to the FROB since its date of incorporation in 2009 is as follows:

	Thousands of Euros			
Contributing Entities	Capitalization of Loans	Cash Disbursement	Fixed-Income Securities	Total
State Budget	27,170,000	12,750,000	-	39,920,000
- Royal Decree Law 9/2009		*6,750,000*	-	*6,750,000*
- Royal Decree Law 2/2012	-	*6,000,000*	-	*6,000,000*
- Royal Decree Law 14/2013	*27,170,000*	-	-	*27,170,000*
Deposit Guarantee Fund for Credit Institutions (*)	-	1,500,146	749,854	2,250,000
	27,170,000	**14,250,146**	**749,854**	**42,170,000**

(*) In 2012 the investment of the Deposit Guarantee Fund for Credit Institutions in the FROB's Equity Fund was liquidated, in order to the equity position resulting from the FROB's 2011 annual accounts.

To complement the initial endowment made by the FROB established in Royal Decree-Law 9/2009 (EUR 9,000,000 thousand), Royal Decree-Law 2/2012, of 3 February, on the clean-up of the financial sector, added an increase of EUR 6,000,000 thousand out of the State Budget.

On 9 December 2013, was agreed the partial conversion of the Treasury loan, amounting to EUR 27,170,000 thousand in an equity contribution to the endowment of the FROB, prior approval of the ESM (see Note 8.3).

Pursuant to Law 9/2012, any accrued profit accounted for in the FROB's annual accounts will be paid in to the Public Treasury. However, the Public Treasury may request advance payment by the FROB of any funds generated in the course of the calendar year.

The loss incurred in 2012 amounting to EUR 26,060,522 thousand was transferred to the FROB's Equity Fund in 2013 (31 December 2012: EUR 10,557,236 thousand.)

9.2 Valuation adjustments

Available-for-sale financial assets

"Valuation Adjustments – Available-for-Sale Financial Assets" in the accompanying balance sheet includes the amount of the changes in fair value of available-for-sale financial assets which, as stated in Note 4.3.4, must be recognised in equity, and the changes in which are recognised in the income statement when the assets which gave rise to them are sold or become impaired.

The statements of recognised income and expense for 2013 and 2012 include the changes in "Valuation Adjustments – Available-for-Sale Financial Assets" in the balance sheets in those years.

10. Information on the nature and level of risk of financial instruments

A detail of the FROB's main risk factors associated with financial instruments and the policies adopted to manage them are as follows.

Liquidity risk

Liquidity risk is defined as the risk that the FROB might not have sufficient funds to meet its debt repayments at their maturity dates.

The breakdown, by maturity, of the balances of certain items in the balance sheet at 31 December 2013 and 2012, based on a scenario of "normal market conditions", in accordance with their contractual terms, are as follows:

2013

	Thousands of Euros						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	More Than 5 Years	Total
Assets:							
Cash and cash equivalents	3,923,092	-	-	-	-	-	3,923,092
Current financial assets							
Loans to third parties	703,092	-	-	-	-	-	703,092
Debt instruments	3,380,458	1,618,864	617,908	410,553	51,879	-	6,079,661
Non-current financial assets							
Debt instruments	-	-	-	-	-	2,787,400	2,787,400
Total at 31 December 2013	8,006,642	1,618,864	617,908	410,553	51,879	2,787,400	13,493,245
Liabilities:							
Current payables							
Debt instruments and other marketable securities	6,481,019	-	-	-	-	-	6,481,019
Current bank borrowings	559,989	-	-	-	-	-	559,989
Other current liabilities	319,807	-	-	-	-	-	319,807
Non-current payables							
Debt instruments and other marketable securities	-	-	2,500,174	-	-	-	2,500,174
Other non-current payables	-	-	-	-	-	13,790,488	13,790,488
Total at 31 December 2013	7,360,815	-	2,500,174	-	-	13,790,488	23,651,477
Assets minus liabilities at 31 December 2013	**645,827**	**1,618,864**	**(1,882,266)**	**410,553**	**51,879**	**(11,003,088)**	**(10,158,231)**
Assets minus liabilities at 31 December 2013 (accumulated)	**645,827**	**2,264,691**	**382,425**	**792,978**	**844,857**	**(10,158,231)**	

2012

	Thousands of Euros						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	More Than 5 Years	Total
Assets:							
Cash and cash equivalents	3,592,612	-	-	-	-	-	3,592,612
Current financial assets							
Loans to third parties	976,648	-	-	-	-	-	976,648
Debt instruments	6,207,742	-	-	-	-	-	6,207,742
Non-current financial assets							
Loans to third parties	-	112	-	-	-	-	112
Debt instruments	-	126,184	602,885	1,892,000	108,506	2,784,053	5,513,628
Total at 31 December 2012	10,777,002	126,296	602,885	1,892,000	108,506	2,784,053	16,290,742
Liabilities:							
Current payables							
Debt instruments and other marketable securities	2,364,466	-	-	-	-	-	2,364,466
Other current liabilities	209,048	-	-	-	-	-	209,048
Non-current payables							
Debt instruments and other marketable securities	-	6,276,084	-	2,498,441	-	-	8,774,525
Other non-current payables	-	-	-	-	-	39,265,375	39,265,375
Total at 31 December 2012	2,573,514	6,276,084	-	2,498,441	-	39,265,375	50,613,414
Assets minus liabilities at 31 December 2012	**8,203,488**	**(6,149,788)**	**602,885**	**(606,441)**	**108,506**	**(36,481,322)**	**(34,322,672)**
Assets minus liabilities at 31 December 2012 (accumulated)	**8,203,488**	**2,053,700**	**2,656,585**	**2,050,144**	**2,158,650**	**(34,322,672)**	

The FROB's ability to meet its commitments in the years referred to above is guaranteed by the following factors:

- At 2013 year-end, the amount of liquid assets exceeds that of the bonds issued by the FROB maturing 2014.

  If a mismatch between the maturity of the assets and liabilities occurred from 2014 to 2018, it would be offset by the liquidity available to the FROB at 2013 year-end and by the possibility of performing other assets that mature subsequently, since all have maximum liquidity.

- Also, the FROB is empowered by law to raise funds on the capital markets and has a Spanish Treasury guarantee, which is a mechanism that it could use if necessary to cover any mismatches.

Credit risk

Credit risk is defined as the risk assumed by the FROB that payments are not made on maturity of the financial assets it holds by its counterparties due to insolvency.

At 31 December 2013, this risk basically consisted of the existence of a series of convertible contingent bonds that had been subscribed and paid by the FROB as part of the support provided for the various integration processes (see Note 7.3) and the subordinated debentures issued by SAREB and subscribed by the FROB.

Interest rate risk

On-balance-sheet structural interest rate risk is defined as the exposure of the FROB's economic and financial position - resulting from the different maturity and repricing dates of its balance sheet items - to adverse fluctuations in interest rates.

As indicated in Note 8 above, the issues of bonds launched by the FROB earn interest at a fixed rate ranging from 3% to 5.5%. The convertible contingent bonds earn interest at a fixed rate of 8.5% with annual increases of 25 basis points in the first year and 50 basis points from the second year on.

At 31 December 2013, the financial assets exposed to interest rate risk are those held in cash (see Note 5), and the instruments granted to the FROB for the cleaning up of the Spanish financial system (see Note 8.3).

Market risk

Market risk is defined as the risk that affects results or equity because of adverse changes in the prices of bonds and securities of its property and of own emissions.

At 31 December 2013, the financial assets exposed to market risk were government bills, bonds and debentures held in the available-for-sale financial assets category (see Note 7.3 and 7.4).

Other risks

The FROB does not have any significant direct exposures to other risks associated with its financial instruments that have not been disclosed in these notes to the annual accounts.

11. Other accounts payable to public authorities and tax matters

11.1 Other accounts payable to public authorities

The detail of "Current Liabilities - Trade and Other Payables - Other Accounts Payable to Public Authorities" in the balance sheets at 31 December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Tax withholdings payable	176	133
VAT payable	9	22
Accrued social security taxes payable	53	10
Total	**238**	**165**

11.2. Tax matters

As indicated above, the FROB is exempt from income tax and any indirect taxes that might be payable as a result of its incorporation, operation and the actions or transactions that it may carry out in order to fulfil its objectives.

12. Trade and other payables - Sundry accounts payable

"Trade and Other Payables - Sundry Accounts Payable" in the balance sheet at 31 December 2013 and 2012 include balances payable to several creditors for services.

The accrued expenses for these services in 2013 and 2012 were recognised under "Other Current Operating Expenses" in the accompanying income statement (see Note 14.2).

13. Provisions and contingencies

13.1 Non-Current provisions

The detail of "Non-Current Provisions" on the liability side of the balance sheet at 31 December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Banco de Valencia asset protection scheme	598,000	598,000
Banco Gallego guarantees	103,800	-
NCG Banco guarantees	347,899	-
Deposit Guarantee Fund guarantee for hybrids management	25,094	-
Total	**1,074,793**	**598,000**

The changes in "Non-Current Provisions" in the accompanying balance sheet in 2013 and 2012 are as follows:

	Thousands of Euros
Balance at beginning of 2012	**6,854**
Additions	598,000
Applications	(6,854)
Balance at ending of 2012	**598,000**
Additions	376,043
Other movements	100,750
Balance at 31 December of 2013	**1,074,793**

Banco de Valencia S.A. Asset Protection Scheme

On 27 November 2012, as part of the restructuring process of Banco de Valencia, S.A., the FROB granted an Asset Protection Scheme ("APS") to cover 72.5% of any losses arising from a closed portfolio of assets of Banco de Valencia, S.A. amounting to EUR 6,021,982 thousand, with retroactive effect from 30 September 2012 and with a ten-year term from that date.

The FROB recognised a provision with a charge to the income statement at 31 December 2012 amounting to

EUR 598,000 thousand, which was recognised under "Period provisions – Period provisions for APS and other liabilities", equal to the percentage covered by the FROB of the expected loss on the assets under the APS at year-end. This calculation was made on the basis of the methodology of the stress test and the entity's past experience.

In 2013, there were two reductions of the hedged portfolio that have decreased the portfolio of assets subject to initial APS in an amount equal to EUR 1,043,236 thousand. After these reductions the hedged portfolio amounts to EUR 4,978,746 thousand. Based on the evolution of the losses in 2013 and the expected loss of the portfolio at 31 December 2013, the FROB's management considers not necessary to provide an additional provision in this connection.

Banco Gallego guarantees

In the Banco Gallego buying process (see Note 6) carried out by the FROB, the FROB has granted the buyer "Banco Sabadell, S.A.," certain guarantees primarily related to the assets transferred to SAREB and the utilization of tax assets of the transferred entity.

On 31 December 2013, the FROB considered, based on the opinion of its legal and tax advisers and independent experts, that the value of the obligation under the above commitments include an amount of EUR 103,800 thousand, that the FROB proceeded to recognise under the profit and loss for the year 2013 under "Additional provisions-allocation to provisions for APS and other responsibilities."

NCG Banco guarantees

In the procedure relating to the sale of NCG (see Note 6) by the FROB, the FROB has granted to the buyer, "Banesco Holding Financiero 2 S.L.U.", certain assurances related, inter alia, with the transferred assets to SAREB and the use of tax assets of the transferred entity.

At 31 December 2013, the FROB considers, based on the opinion of its legal and tax advisers and independent experts, that the present value of the obligation arising from previous commitments amounts to EUR 347,899 thousand; from that amount the FROB has proceeded to recognize EUR 247.149 thousand with charge to the profit and loss account of the year 2013 under "Period provisions – Period provisions for APS and other liabilities" and the remaining amount of EUR 100,750 thousand, corresponding to the amount that would correspond to attend to the Deposit Guarantee Fund on the basis of the percentage of its investments on the sale of the shares of NCG (see Note 7.1) under "Non-Current financial assets -Other financial assets" and credited to "Non-Current provisions" at 31 December 2013 in the accompanying balance sheet.

Deposit Guarantee Fund guarantee for hybrids management

On 18 July 2013, the FROB and DGF signed an agreement under which the FROB is obligated to quarterly payments due to payment or provisions made by the FROB for any reason arising from judicial and other processes that have their reason on claims regarding the marketing of hybrids as source of retail customer owned shares acquired by the DGF, under the hybrid instruments management actions that FROB approved for NCG on 7 June 2013 (see Note 13.2).

Based on the estimates of its legal counselors, the FROB has proceeded to charge to the income statement for the year 2013 a provision amounting to EUR 25,094 thousand, which is recognised under "Period provisions – Period provisions for APS and other liabilities."

13.2 Current provisions

The detail of "Current provisions" in the balance sheets liabilities at 31 December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Banco Ceiss review mechanism	187,500	-
CajasurAsset Protection Scheme (see Note 7.5)	-	7,133
Deposit Guarantee Fund hybrids management	19,536	-
Banco de Valencia guarantee	170,500	90,000
Other provisions	1,400	-
Total	**378,936**	**97,133**

The changes in 2013 and 2012 in this line item of the accompanying balance sheet are as follows:

	Thousands of Euros
Balance at beginning of 2012	291,376
Additions	90,000
Update finance cost (Note 8.7)	1,743
Applications	(285,986)
Balance at ending of 2012	**97,133**
Financial costs (Note 8.7)	36
Additions	288,936
Applications (Note 7.5)	(7,169)
Balance at 31 December of 2013	**378,936**

Banco Ceiss review mechanism

Under the Unicaja Banco exchange offer of shares and convertible securities of Banco Ceiss on 26 November 2013, the Governing Committee of the FROB approved a revision procedure for the marketing of preferred shares and subordinated debt of Banco CEISS that allowed retail customers of the entity that accepted the offer of Unicaja Banco, in the case it succeeded, to get a similar protection to that enjoyed by the holders of hybrid products of the nationalized entities, to which is applicable Royal Decree-Law 6/2013, of 22 March, for the protection of holders of certain savings and investment products and other financial measures.

The estimated cost to meet this commitment amounts to EUR 187,500 thousand. Therefore, the FROB recently recognised this amount with charge to the income statement for 2013 the corresponding provision under "Period provisions – Period provisions for APS and other liabilities".

At the date of preparation of these annual accounts, this process is almost completed, having been made to date, by the FROB payments to those holders who have obtained in the revision a favourable result amounting to EUR 187,294 thousand.

In addition, on 27 December 2013, the Board of Directors of Unicaja approved an "accompanying mechanism" which complements the "review mechanism" approved by the FROB, intended for those retail customers who, having accepted the exchange offer of Unicaja and, after requesting the application of the revision mechanism, the latter would have been denied.

Banco de Valencia guarantee

In the process relating to the sale of Banco de Valencia to Caixabank, the FROB undertook to compensate the latter, in certain circumstances, for losses arising from changes occurring in the assets estimated to be transferred to SAREB by this entity and those finally transferred. As a result of this commitment, in 2012 the FROB proceeded to recognize a provision amounting to EUR 90,000 thousand.

In 2013, following the preliminary results of review by SAREB of the assets transferred by the entity, the FROB has proceeded to recognize an additional provision amounting to EUR 80,500 thousand. However, these results are being analysed by the FROB.

Deposit Guarantee Fund guarantee for hybrids management

In 2013, as indicated in Note 13.1, and on the basis of estimates made by its legal advisors, the FROB has recognised a provision with charge to the income statement amounting to EUR 19,536 thousand under "Period provisions - Period provisions for APS and other liabilities". In addition, this section includes EUR 3,685 thousand in quarterly payments that has been paid to DGF by the FROB in 2013.

13.3 Other guarantees and contingent liabilities

In the sale processes carried out by the FROB in 2012 of CAM, Unnim Banc, S.A. and Banco de Valencia, the FROB granted the purchasers, Banco Sabadell, BBVA and Caixabank, respectively, certain tax guarantees that mainly affect the use of the transferred entities' tax assets.

At 31 December 2013, the FROB deemed it unlikely that any obligation would arise from these commitments and, accordingly, it did not recognise any provision in the 2013 annual accounts in this connection.

In the year 2013 several replacement appeals were raised, mainly related to the implementation of management actions of hybrid capital instruments and subordinated debt, with the corresponding losses for shareholders, partners or partners or holders of such instruments, as well as with the decisions of capital reduction and increase, in order to apply the principles of Law 9/2012 and allow the injection of public funds in institutions. These appeals have been rejected by express decision by the Governing Committee of the FROB.

Also, certain civil and administrative litigation lawsuits have been initiated against administrative resolution actions dictated under Law 9/2012 and against selling decisions of entities undertaken by the FROB, which are pending. Based on the analysis performed and the judicial decisions already received, the FROB has seen no formal deficiencies or formal weaknesses in its decisions, also finding the substantive issues of the disputes solidly supported by the legal precepts, so at the date is not considered necessary to recognise any provision for these matters.

13.4 Contingent assets

At 31 December 2013 and 2012, the FROB did not hold any contingent assets.

14. Income and expenses

14.1 Staff costs and average headcount

The detail of "Staff Costs" in the accompanying income statements for 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Wages and salaries	3,304	1,067
Social security costs	482	154
Total	**3,786**	**1,221**

The average number of employees at the FROB in 2013 and 2012, by professional category and gender, is shown in the following table:

2013

	Average Number		
	Men	Women	Total
Group I	4.81	0.80	5.61
Group II	13.46	5.70	19.16
Group III	4.71	3.54	8.25
Group IV	0.86	2.64	3.50
Group V	-	3.43	3.43
Total	**23.84**	**16.11**	**39.95**

2012

	Average Number		
	Men	Women	Total
Technical Level 1	7.60	-	7.60
Technical Level 2	-	3.00	3.00
Technical Level 3	-	1.00	1.00
Total	**7.60**	**4.00**	**11.60**

The number of employees at the FROB as of 31 December 2013, by professional category and gender (as of 31 December 2012 does not differ significantly from the detail of the average number of employees), are shown in the following table:

	Men	Women	Total
Group I	5	1	6
Group II	15	6	21
Group III	6	5	11
Group IV	1	3	4
Group V	-	4	4
Total	**27**	**19**	**46**

14.2 Other operating expenses

The detail of "Other Operating Expenses" in the income statements for 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Leases (*)	525	-
Deposit Guarantee Fund services (*)	56	414
Outside professional services	8,572	8,818
Governing Committee (Note 15)	123	205
Representatives at entities	1,931	3,305
Banking and similar services	428	169
Taxes other than income tax	425	3,048
Other operating expenses	3,785	72
Total	**15,845**	**16,031**

(*) In 2012, the DGF provided several necessary support services for the activities carried on by the FROB, including the use of their offices.

"Outside Professional Services" in 2013 and 2012 includes, primarily, amounts invoiced by external advisers commissioned by the FROB in order to perform work in the credit institution restructuring and resolution processes.

In 2013 the remuneration of all kinds of the FROB's representatives at the entities in restructuring and resolution processes amounted to EUR 1,931 thousand (31 December 2012: EUR 3,305 thousand).

14.3 Other disclosures

In 2013, the fees for the financial audit services and other professional services provided by the auditor of the FROB, Grant Thornton, S.L.P. or by a firm related to the auditor as a result of a relationship of control, common ownership or common management are as follows (in thousands of euros):

	Services Provided by the Auditor and Related Companies
Audit services	50
Other attest services	-
Total audit and related services	**50**
Tax counselling services	-
Other services	3
Total professional services	**3**

The fees charged in 2012 by other auditors relating to the audit of the financial statements amounted to EUR 14 thousand.

15. Related party transactions and balances

The detail of the balances recognized by the FROB with related parties in these annual accounts for 2013 and 2012 is as follows (figures in thousands of euros):

2013

	Bank of Spain	Investees	Governing Committee and Senior Management
Assets:			
Non-current investments in Group companies and associates – Equity instruments (Note 7.3)	-	13,303,805	-
Non-current assets classified as held for sale (Note 6)	-	683,000	-
Cash and cash equivalents - Cash (Note 5)	115,908	-	-
Income statement:			
Finance income (Note 5)	10,778	-	-
Other income - other income	-	150	-
Staff costs (Senior Management)	-	-	162
Other operating expenses (Note 14.2)	356	-	123

2012

	Bank of Spain	Investees	Governing Committee and Senior Management
Assets:			
Non-current investments in Group companies and associates – Equity instruments (Note 7.3)	-	11,548,560	-
Non-current assets classified as held for sale (Note 6)	-	2,410,000	-
Cash and cash equivalents - Cash (Note 5)	3,592,235	-	-
Income statement:			
Finance income (Note 5)	13,229	37,605	-
Other income - other income	-	100	-
Staff costs (senior management)	-	-	174
Other operating expenses (Note 14.2)	148	-	205

In 2013 the FROB recognised an expense for EUR 123 thousand (31 December 2012: EUR 205 thousand) related to attendance fees relating to the Governing Committee (see Note 14.2).

At 31 December 2013 the FROB had granted no advances or loans and had acquired no pension, life insurance or guarantee obligations to any of the previous or current members of its Governing Committee.

16. Fair value of financial instruments

Given the composition of the FROB's assets and liabilities at 31 December 2013, the fair value of assets and liabilities measured at fair value are not significantly different compared to that for which they were recognised in the financial statements for 2013.

17. Events after the reporting period

The most significant events occurring between the reporting date and the date of authorisation for issue of these financial statements not mentioned in other notes to these annual accounts are as follows:

On 14 January 2014, the Executive Committee of the Bank of Spain agreed the opening of the resolution process of Caja Rural de Mota del Cuervo, Sociedad Cooperativa de Crédito de Castilla-La Mancha, the Governing Council of the entity was replaced appointing the FROB as provisional administrator. FROB also approved economic and asset values of the entity and the start of the competitive sales process by emergency procedure. As a result of this process, on the same date, the Governing Committee of the FROB agreed to order the transfer of all capital contributions of Caja Rural de Mota del Cuervo, Sociedad Cooperativa de Crédito de Castilla-La Mancha to Caja Rural de Albacete, Ciudad Real y Cuenca, Sociedad Cooperativa de Crédito (Globalcaja), for a total amount of EUR 1,275,800 plus selling expenses incurred by the FROB in the sales process with no implied financial support from the FROB.

On 31 January 2014, the European Banking Authority (EBA) announced that in 2014 it would carry out the next stress test on a sample of 124 European banks, which account for at least 50% of the banking sector in each country.

In November 2013,the European Central Bank (ECB) announced a comprehensive assessment process aimed at entities that will fall within the scope of the Single Monitoring Mechanism. This assessment process would include a risk assessment for supervisory purposes, an analysis of asset quality and a stress test, with completion expected in October 2014. On 31 January 2014, was announced that the stress tests would be conducted on a sample of 124 European banks, so as to cover at least 50% of the banking sector in each country. On 29 April 2014, the European Banking Authority (EBA) published the methodology and scenarios that form the basis for the completion of those tests. At the date of preparation of these annual accounts, the classification and analysis of provisions made on certain loan portfolios of financial institutions are been carried out, which constitute the starting point for conducting the tests.

In January 2014, the FROB informed to Banco Ceiss the agreement of its Governing Committee in relation to the basic lines of the entity's resolution plan modification. These basic guidelines, adopted by the Bank of Spain and the European Commission, include: (i) the distribution between the FROB and CEISS Bank of the negative effects that may have the grievance procedures required to Banco Ceiss by holders of convertible and contingently convertible bonds who did not accept the Offer, such that the FROB will take 71% of the impact, up to EUR 319 million (EUR 241 million net of the compensation that the FROB can receive under the Compensation Mechanism), Banco Ceiss assuming the remaining 29%, and (ii) a mechanism by which the FROB will receive, as compensation for assuming the previous 71%, the corresponding proportion of shares or bonds of Banco Ceiss coming from the management actions of hybrid instruments and subordinated debt (Compensation Mechanism).

The FROB Governing Committee at its meeting held on 2 June 2014 formally agreed to start the opening auction process of Catalunya Banc, S.A. Interested organizations must submit binding bids no later than 14 July 2014.

18. Explanation added for translation to English

These annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Fund (see Note 2.1). Certain accounting practices applied by the Fund that conforms to that regulatory framework may not conform to other generally accepted accounting principles and rules.

Fondo de Reestructuración Ordenada Bancaria

Directors' Report for the year ended 31 December 2013

1.CONCLUSIONS

2013 was marked by the continued implementation of the Financial Assistance Program for Spain for recapitalization of the financial sector reflected in the Memorandum of Understanding (MoU) signed in July 2012 by the Spanish and European authorities.

A stress test of major Spanish banking groups was carried out in the framework of the program of financial assistance to determine their capital needs. The capital deficit for the entities as a whole estimated in the base scenario amounted to EUR 25,900 million and EUR 53,700 million in the adverse scenario. In this context, according to the framework of resolution contained in Law 9/2012, of 14 November 2012, of restructuring and resolution of credit institutions (herein after Law 9/2012), the resolution process would be applied to entities that are not viable, while the restructuring process would be applied to entities that require public financial support in order to ensure their viability and that have the capacity to return this financial support within the deadlines stipulated in the Law 9/2012.

In both cases a plan was prepared, for restructuring or resolution that was approved by the Bank of Spain and the European authorities.

The approved plans ordered, inter alia, to the credit institutions concerned the transfer of problem assets to an asset management company, which is an instrument that allows the concentration of problem assets, facilitating its management. The transfer to SAREB of problem assets of Group 1 entities materialized in December 2012 and the Group 2 entities has occurred in February 2013. The gross volume of the transferred assets was EUR 106 billion.

Also, these plans include the principle of burden-sharing between the entity's current shareholders and the holders of hybrid instruments (preference shares and subordinated debentures) who must share the entity's restructuring costs with the public funds provided.

In this sense, the hybrid management exercises of all entities with public aid are completed. Also, the Group 1 entities were urged to start or complete the consumer arbitration processes to respond to those claims related to the commercialization of hybrid instruments.

Capital needs that were initially identified in the aforementioned stress test, were reduced by the effect of the real estate assets transmission to SAREB and the assumption of losses by holders of hybrid instruments.

Within the processes of recapitalization of entities, it has been carried out the process of recapitalization of Bankia. Also, financial support to the Group 2 entities has been formalized through the subscription of ordinary shares of BMN and contingent convertible bonds of Liberbank, Caja 3 and Banco Ceiss.

The business plans of the entities receiving public funds that include major adjustment of its activities has continued to develop, as well as reductions in terms of staff and branch network under the rules and precedents on state aids.

With regards to the various bank sale processes, on 28 February 2013, the sale of the FROB's investment in Banco de Valencia S.A. to CaixaBank, S.A. was completed. In the second quarter of 2013, also ended the process to dispose the investment of NCG Banco, S.A. in Banco Gallego, S.A., awarding it to Banco Sabadell S.A. Lastly NCG Banco S.A. was awarded to the Grupo Banesco.

In addition, N+1, Corporate Finance, S.A.U. was hired to carry out a detailed analysis of the assets (portfolios and business units) of Catalunya Banc, S.A. On this basis, on 2 June 2014, the FROB has agreed to the start of the auction process of the entity.

Lastly, the impairment of the value of shares in different recognised entities' income statement of 2012, together with those in 2011, burdened the net assets of the FROB. Accordingly, and in order to promote their solvency and submit a financial statements compliant with the reality of the obligations undertaken and its liquidity position, in December 2013, the transformation in an equity contribution of the loan granted by the Spanish State to the FROB was signed under the Financial Assistance Program. The amount of the conversion amounted to EUR 27,170 million.

2. ORGANISATION AND OPERATION. RELEVANT MATTERS

With regard to organisational aspects of the FROB, the following agreements and measures were adopted in 2013:

- The annual accounts and management report of the FROB for 2012 have been formulated and approved, as well as referral to the Ministry of Economy and Competitiveness and the General Audit Office of the State Administration for inclusion in the General State Account and transfer to the Spanish National Audit Office.
- FROB's budget for 2014 for inclusion in the State Budget was approved.
- In the first quarter of 2013, there has been the addition of new staff to the FROB, completing the selection process started in late 2012, with new features and tasks that Law 9/2012 attributed to the FROB. Also, the transfers of the former headquarter of the FROB at José Ortega y Gasset street to the current location on Avenida General Perón # 38 was completed.
- Several proposals for divestment of significant investments in the execution of restructuring plans or resolution of the entities were made. These proposals are to be handed over to the Treasury and Public Administration Department to issue its report regarding its relevance to the principles of openness and competition as provided in Article 31.5 of Law 9/2012 ; and also the transfer to the relevant entities of the reports received during the period was approved.
- An implementation of a protocol of action prior to the exercise of judicial action applicable to all those credit institutions that are in the process of restructuring or resolution was approved.
- On 31 October 2013, an overall framework for the FROB's action, which gives it a line of action that will, in accordance with the objectives and principles contained in Law 9/2012, facilitate the success of corporate operations aimed at the resolution of a credit institution, was approved.
- It was agreed, in accordance with the provisions of the FROB's Internal Procurement Instructions, the beginning of the procedure for the hiring of external audit services for the annual accounts for the period 2013-2015 FROB. The award of the contract fell in the company Grant Thornton, SLP replacing Deloitte, S.L.

3. FINANCIAL TRANSACTIONS

Last February saw the second disbursement of the Financial Assistance Programme[3] for the restructuring and recapitalization of the Spanish financial system, adopted on 24 July 2012. The amount of the second tranche of aid amounted to EUR 1.865 billion by delivering a bond of the European Stability Mechanism (ESM) with the following characteristics:

ISIN code	Issue Date	Maturity	Nominal	Price	Value on Issue Date	Coupon
EU000A1U98X6	05/02/2013	05/08/2015	1.865.000.000	100%	1.865.000.000	6m Euribor-0,15%
Total			**1.865.000.000**		**1.865.000.000**	

The allocation of the aid has been the recapitalization of Group 2 entities, with the following detail:

[3] The first disbursement took place on 11 December 2012, amounting to EUR 39,468 million for the recapitalization of Group 1 entities (BFA-Bankia, NCG Banco, Catalunya Banc and Banco de Valencia), and to finance the provision of the FROB to SAREB.

- Banco Mare Nostrum EUR 730 million
- CEISS EUR 604 million
- Caja 3 EUR 407 million
- Liberbank EUR 124 million
- **TOTAL** **EUR 1,865 million**

It has to be remembered that the leveraging of the funds from the Financial Assistance Program to the FROB is instrumented by a loan agreement between the State, as lender, and the FROB, as borrower, signed in December 2012, to which current financial conditions between the loan signed between Spain and the ESM are applied. In 2013 payments have been made on fees and interests accrued generated by the first and second disbursement of the Program.

Additionally, in order to promote the solvency of the FROB, and as stipulated in the loan agreement in December, and after approval of the ESM, it was ordered the partial conversion of the loan amounting to EUR 27,170 million.

With regard to the FROB's issues in circulation in 2013 there have been no new issues. Furthermore, in October there has been an amortization of an issue for a nominal amount of EUR 2,150 million, so at 31 December 2013 the outstanding bonds issues are as follows:

ISIN Code	Maturity	Nominal Amount
ES0302761012	03/02/2014	EUR 3,000 million
ES0302761004	19/11/2014	EUR 3,290 million
ES0302761020	12/07/2016	EUR 2,505 million
		EUR 8,795 million

The borrowing limit established in the Law on State Budget 2013 for the FROB was EUR 120,000 million. As for the Treasury available endorsement is EUR 13,055,000 to be used until the end of 2016.

Moreover, in order to improve the liquidity of the FROB, the new Basic Principles of Treasury Management were approved based in three fundamental aspects:

- Increase in the number of counterparties to operate in the securities markets.
- Make deposits and interest-bearing accounts in banks.
- Monetize part of the public debt portfolio of the FROB via repo.

Under these assumptions, it began hiring deposits under strict standards of transparency and competition. Note that these deposits are fully liquid at any time without any penalty for early cancellation.

4. THE FROB'S PARTICIPATION IN THE PROCESSES OF RESTRUCTURING AND RESOLUTION OF CREDIT INSTITUTIONS

The amounts of the aids subscribed by the FROB under the Financial Assistance Program and in force since 31 December 2013 are as follows:

Integration Processes (Convertible Preference Shares)	FROB Approval	Status	Amount of Assistance (Millions of euros)	Payment Date	
CAJA 3					
Caja Circulo de Burgos, CAI, Caja Badajoz	08/03/2013	Subscribed and paid	407	12/03/2013	
Liberbank					
Cajastur, CCM	08/03/2013	Subscribed and paid	124	12/03/2013	
CEISS					
Caja de Ahorros Caja España y Caja Duero	24/04/2013	Subscribed and paid	604	30/04/2013	
Shares	**FROB Approval**	**Status**	**Amount of Assistance (Millions of euros)**	**Payment Date**	**% Acquired**
NovaCaixaGalicia					
Caixa Galicia y Caixa Nova	27/11/2012	Subscribed and paid	5.425	26/12/2013	62,7%
Catalunya Caixa					
Caixa's d'Estalvis de Catalunya, Tarragona y Manresa	27/11/2012	Subscribed and paid	9.084	18/12/2012	66,0%
BANCO FINANCIERO Y DE AHORROS					
Cajas de Ahorro de Madrid, Bancaja, Caja Ávila, Caja Segovia, Caja Insular de Canarias, Caixa Laietana y Caja Rioja	03/09/2012 y 27/11/2012	Subscribed and paid	17.959	12/09/2012 y 26/12/2012	100,0%
BMN					
Caja Murcia, Caixa Penedés, Sa Nostra, Caja Granada	15/02/2013 y 08/08/2013	Subscribed and paid	1.645	12/09/2012 y 12/03/2013	65,0%
Total			**35.248**		

With regard to the entities of the Group 1, national and international authorities approved their plans in late November 2012, and the capital injections were made in December 2012 by providing bonuses from the ESM.

With regard to entities of Group 2 (Caja3, Banco Mare Nostrum, Liberbank and Banco Ceiss) national and international authorities approved their restructuring plans in December 2012. On March aids were injected to BMN in the form of capital, to Caja 3 and Liberbank through the subscription of contingent convertible bonds by the FROB; while on 30 April contingent convertible bonds were injected to Ceiss as aid.

The restructuring and resolution plans of these entities include, in compliance with the provisions of the MoU, the following scheme: (i) the transfer of problem assets to the Asset Management Company (SAREB); (ii) significant business adjustment measures and reductions in the workforces and branch networks by the entities receiving public funds, pursuant to the rules and precedents relating to State aid; and (iii) a financial burden sharing exercise that affects shareholders and holders of hybrid instruments and (iv) injections of public fonds.

In addition, upon conversion of convertible preference shares corresponding to Ceiss (EUR 525 million), Banco Mare Nostrum (EUR 915 million) and the amortization by La Caixa of the corresponding to Banca Civica (EUR 977 million), in 2013. At 31 December 2013, the FROB no longer maintains financial support in the form of convertible preference shares.

Below is a brief description of the development of the mentioned processes.

4.1 Restructuring and resolution processes. Group 1

Catalunya Banc, S.A.

The Resolution Plan provided for the granting of financial support by the FROB by an additional injection of funds in the form of ordinary shares amounting to EUR 9,084 million, after the transfer of problem assets to SAREB (occurred in December 2012 at a price of transfer EUR 6,708 million) and the management exercise of hybrid instruments, completed in 2013 which has increased equity in EUR 1,675 million.

The Deposit Guarantee Fund, meanwhile, agreed to provide liquidity to retail holders who had obtained in exchange shares by repurchasing them cash with a discount for illiquidity of 13.8%.

After injection of state aid and the hybrid management exercise the final extent of the FROB in the capital of Catalunya Banc is 66% and DGF owns 32.4%.

Catalunya Banc began in October 2012 an arbitration procedure with a deadline for receipt of applications on 12 July 2013, which has benefited a large number of retail customers hybrid holders. The plan for the entity's resolution provides for an adjustment of offices and staff and divesting on holdings that are being carried out.

Moreover, on 18 July 2013, the FROB awarded N+1 Corporate Finance, S.A.U. the contract to perform the analysis and eventual sale of the entity. The contract states that the process is structured in two phases. A first analysis and market's contrast that allows the FROB decide whether the conditions exist to sell the bank and a second stage, which would implement, if necessary, this sale process. After completion of the first phase on 2 June 2014, the FROB has agreed to start the auction process of the entity.

NCG Banco, S.A.

The resolution plan recognised capital needs of EUR 5,425 million, after the transfer of assets to the SAREB (December 2012 for a transfer price of EUR 5,079 million) and the management exercise of hybrid instruments.

After injection of public aid made in 2012 and the hybrid management exercise the final extent of the FROB in NCG Banco capital was 62.7% and DGF was 25.6%.

On 18 December 2013, the contract of sale of the shares of the FROB and DGF to Banesco group was signed. The amount receivable from the sale of the shares amounted to EUR 1,003 million, to be paid 40% by the time the sale is formalized and the remaining 60% in successive instalments until 2018. In addition, the FROB has offered a series of related guarantees, among other things, with the assets transferred to SAREB and making the most of the tax assets of the entity transferred. The FROB has proceeded to recognise a provision for EUR 348 million.

Yet there has been no effective transfer of the shares, as the effectiveness of the sale is conditional upon a number of conditions, among which are the relevant administrative authorizations. Meanwhile, the entity is managed by the FROB provisionally since 20 January 2014.

Banco Financiero y de Ahorros, S.A. (BFA)

Capital requirements under its restructuring plan after the transfer of assets to SAREB and hybrids management exercise amounted to EUR 17,959 million. After this aid the FROB still kept 100% of BFA (percentage achieved with the conversion of convertible preference shares amounting to EUR 4,465 million in June 2012) and the involvement of BFA in Bankia stood at 68.39%.

To date the following has been carried out: (i) the transfer to SAREB with a transfer price of EUR 22,191 million; (ii) the management exercise of hybrids, and (iii) the increase in capital subscribed by the FROB (EUR 13,459 million of non-monetary contribution of ESM securities, additional to the one made in September 2012 amounting to EUR 4,500 million). The company has also continued to develop major adjustments of its activities, as well as reductions in terms of staff and network of offices included in its restructuring plan.

On 18 April 2013, the Government Committee of the FROB approved:

- A reduction in the capital share of Bankia, S.A. of EUR 3.968 million by reducing the nominal value of shares, from EUR 2 to EUR 0.01 and a statutory modification consisting in the increase in the nominal value of the shares by grouping them (reverse split) at a ratio of 100 shares by law amendment of one cent euro par value per a new share of one euro par value.

- The management action of hybrid instruments finished in May 2013 with a capital increase in Bankia of EUR 4,852 million and an exchange of senior debt to wholesalers and retail deposits of EUR 242 million.

- The prepayment of contingent convertible bonds issued by Bankia, S.A., whose effectiveness was conditional, and was simultaneous, to a capital increase with preferential subscription rights up to EUR 10,700 million. This capital increase was carried out providing BFA EUR 10,620.7 million and third party shareholders EUR 79.3 million.

On 18 April 2013, the BFA-Bankia group also started an arbitration procedure whose deadline for receipt of applications was 16 July 2013. Currently the arbitration is in its final phase, having completed the review process by the independent expert and it is being expected that the process of issuing reports will be completed in the coming months. Additionally, there are ongoing legal proceedings.

On 19 December 2013, the Board of Directors of BFA agreed, pursuant to a resolution adopted by the Governing Committee of the FROB, request the waiver to continue operating as a credit institution, meeting one of the commitments made under the restructuring plan. At the date of preparation of these annuals accounts resolution of the request is ongoing.

4.2 Restructuring and resolution processes. Group 2

Banco Ceiss, S.A.

On 28 February 2013, assets were transferred to SAREB for a price of EUR 3,137 million.

In April 2013 were injected public funds by the FROB amounting to EUR 604 million in the form of contingently convertible bonds (CoCos). Compensation for these instruments was set at 8.5%, with increases of 25 basis points after the first anniversary and 50 basis points from the second anniversary on. To date Banco Ceiss has paid all interests accrued by such instruments.

On 9 and 10 May 2013, the FROB and the Executive Committee of the Bank of Spain respectively, approved an amendment to Banco Ceiss Resolution Plan of 19 December 2012, in order to adjust it to the bid submitted by the Grupo Unicaja for the purchase of Banco Ceiss. Regarding commitments of deleveraging and restructuring of the entity (loans, branches, employees and size of balance), no significant differences occurred with the previous.

Unicaja's offer consisted of making a takeover bid of securities to the former holders of hybrid instruments and subordinated debt that, after completion of the management exercise of hybrids, have become shareholders (institutional investors) or holders of mandatorily convertible notes of Banco Ceiss (retail investors), in order to take up to 100% of the capital of entity. Among the conditions of Unicaja's offer was a waiving to judicial claims by holders of hybrid instruments of Ceiss.

Under this circumstance, and under the general framework of action adopted on 31 October, the FROB, on 26 November 2013, approved a procedure that allowed retailer holders of hybrid instruments of Banco Ceiss to accept the Unicaja's offer, and whenever it prospers, the possibility of undergoing a Review Mechanism of the marketing processes by which they acquired, at the time, preferred securities and subordinated debt.

This review, which was conducted by an independent expert hired by the FROB has followed equivalent criteria to those used in arbitrations conducted in other nationalized entities.

The estimated cost of the Mechanism for FROB amounted to EUR 187.5 million, recently recognised by the FROB as a provision in 2013. At the date of preparation of the annual accounts, and once published on 28 March 2014, as a Significant Event the acceptance by Unicaja to carry out the swap on Banco Ceiss, the FROB has proceeded to practically pay all the payments, having been satisfied for this item EUR 187.3 million.

Furthermore, the Board of Directors of Unicaja, in December 2013, approved an Accompanying Mechanism as complement of the FROB's Review Mechanism, for those retailers holders of hybrid instruments of Banco Ceiss that, having accepted the offer of Unicaja and after applying for implementation of the FROB's review mechanism, it would have been denied to them.

Banco Mare Nostrum, S.A. (BMN)

The principal landmarks included in the restructuring plan of the entity have been culminating over the year 2013: (i) injection of public funds to be made by the FROB in the form of ordinary shares of the bank for an amount of EUR 730 million, paid on 12 March 2013; (ii) transfer of assets related to real estate to SAREB (transfer price of EUR 5,794 million); (iii) hybrid management exercise which, in February 2013, was the conversion of the preference shares subscribed by the FROB in 2010 amounting to EUR 915 million; (iv) sale of Caixa Penedes network to Banco de Sabadell, staff adjustment and branches' reduction.

After injection of state aid and the hybrid management exercise, the percentage of capital investment of FROB in BMN is 65%.

Banco Grupo Caja 3, S.A. (Caja3)

In 2013 have been carried out the main strategic lines established in the restructuring plan of the entity: (i) its integration into Ibercaja, (ii) transfer of assets to SAREB (transfer price of EUR 2,212 million); (iii) performance of hybrids management exercise; (iv) reduction of the structure of the entity selling subsidiaries, reducing branches and staff; (v) application of injection of public funds to be made by the FROB as contingently convertible debentures into shares(CoCos) amounting to EUR 407 million.

On 25 July 2013, Ibercaja Banco became the owner of 100% of the capital of Caja3. The full integration of the two entities is planned for late 2014. On 12 March 2013, regarding CoCos, the FROB disbursed them through the provision of bonds issued by the ESM, and accrue a fixed annual interest of 8.5%, with annual increases of 25 basis points after the first anniversary and 50 basis points from the second anniversary on. To date Caja3 has paid all interest earned by these instruments.

Liberbank, S.A.

The Liberbank restructuring plan, approved in December 2012, included a number of key measures that have been met throughout 2013: (i) injection of public funds in the form of contingently convertible debentures (CoCos) for EUR 124 million, (ii) the transfer of assets to SAREB (transfer price of EUR 2,917 million), (iii) hybrid management exercise.

As for Cocos, disbursement by the FROB was made on 12 March 2013 by contribution of bonds issued by the ESM. The notes bear a fixed annual interest of 8.5% for the first year, with an increase of 25 basis points for the second and 50 points from the third year on. To date Liberbank has paid all accrued interest.

Liberbank's holders of hybrids, as not being an entity owned by the FROB, have not had a chance to go to arbitration; however, the company has offered them a Loyalty Plan.

In addition, Liberbank went public on 16 May 2013, with a capital increase whose shares were delivered to the holders of preferred shares and subordinated debt.

4.3 Completed restructuring and resolution processes

The situation of the various entities involved in resolution processes is as follows:

Banco Gallego, S.A.

On 19 April 2013, to comply with the provisions of the Resolution Plans for NCG Banco and Banco Gallego both entities were sold to Banco Sabadell; the effectiveness of this contract was subject to the fulfilment of the following conditions precedent: i) obtaining the necessary national and European approvals, (ii) capital injection of EUR 245 million, (iii) implementation of management exercises of preference shares and subordinated debt. On 24 April 2013, a new specific Resolution Plan for the entity was approved.

In October 2013, the FROB disbursed a capital contribution to Banco Gallego of EUR 245 million and the hybrid management exercise was conducted.

On 28 October 2013, upon satisfaction of the conditions precedent, was formalized in a public deed the sale of Banco Gallego to Banco de Sabadell. The agreement provided for the transfer of all the shares comprising the share capital of Banco Gallego at a price of EUR 1.

As part of this transaction, the FROB has granted the usual guarantees on past sales (excluding asset protection schemes), highlighting the guarantees regarding the tax effects of the transaction and the economic losses resulting from the changes between the estimate of the assets to be transferred to SAREB and those finally transmitted.

Banco de Valencia, S.A.

On 21 November 2011, after the communication received from the entity, the Executive Committee of the Bank of Spain agreed the appointment of the FROB as temporary administrator of the entity. In order to stabilize the company, the subscription and payment of a capital increase amounting to EUR 998 million was agreed. Consequently, the FROB holds the 90.89% of Banco de Valencia's capital.

On 27 November 2012, the FROB, in the framework of the Resolution Plan for the entity, agreed to sell the shares to CaixaBank for EUR 1, subject to the prior injection of EUR 4,500 million from the FROB. The sale also included the transfer of problem assets to the SAREB and management exercise on hybrid instruments.

On 26 December 2012 the capital increase of EUR 4,500 million from the FROB was performed by disbursing ESM's bonds and on 31 December 2012, Banco de Valencia handed over 6,723 assets (loans or credits to developers and awarded assets) to SAREB with a gross amount of EUR 4,829 million, with a transfer price of EUR 1,962 million.

On 28 February 2013, having met the conditions precedent the sale to CaixaBank was raised to public deed, completing thus the implementation of the resolution plan of the entity with the FROB offering to the buyer an assets protection scheme (APS) on a portfolio of loans to SMEs and self-employed and contingent risks.

In the sale of Banco de Valencia to CaixaBank, the FROB also promised to compensate the entity, in certain cases, for the economic losses resulting from the changes between the estimation of the assets to be transferred from that entity to SAREB and those finally transmitted. For this reason, in 2012 the FROB proceeded to recognize a provision of EUR 90 million.

In 2013, following the preliminary results of review by SAREB of the assets transferred by the entity, the FROB has proceeded to recognise an additional provision in this regard amounting to EUR 80.5 million. However, these results are currently being analysed by the FROB.

Caja de Ahorros y Monte de Piedad de Córdoba (CajaSur)

On 15 July 2010, the FROB made the CajaSur restructuring Plan which included the granting of an APS on a set of different types of assets, for a maximum amount of EUR 392 million over five years.

In February 2013 a settlement was made of 2012 losses that, as envisaged, consumed the pendant APS balance (EUR 7 million), so it has been exhausted.

Caja de Ahorros del Mediterráneo (CAM) y Banco CAM, S.A.

Pursuant to the provisions of Royal Decree-Law 9/2009, and following the implementation of the related competitive process, the FROB prepared a restructuring plan of Banco CAM, S.A. that provided for its sale to Banco Sabadell. This transaction received public support through the Deposit Guarantee Fund (DGF).

Within the framework of the operation, in relation to the tax effects of the transaction, the FROB granted certain guarantees. The Bank of Spain, at its meeting on 20 November 2012, approved the termination of the measure relating to the provisional replacement of the FROB as CAM's governing body.

Unnim Banc, S.A.

Pursuant to the provisions of Royal Decree-Law 9/2009, following the implementation of the related competitive process, on 7 March 2012, the Governing Committee of the FROB prepared a restructuring plan of Unnim Banc, S.A. that provided for its sale to BBVA and that received financial support from the DGF.

On the other hand, the FROB assumed certain fiscal commitments with Unnim Banc

On 27 July 2012, the sale by the FROB to BBVA of all the shares representing the share capital of Unnim Banc, the price of which was EUR 1, was completed. Once the related deed was executed, following the adoption of the relevant decision by the Bank of Spain, the FROB ceased to be the administrator of the entity.

In addition, in the sale processes carried out by the FROB in 2012 of CAM, Unnim Banc, S.A. and Banco de Valencia, the FROB granted the purchasers, Banco Sabadell, BBVA and Caixabank, respectively, certain tax guarantees that mainly affect the use of the transferred entities' tax assets.

In this regard, the FROB deemed it unlikely that any obligation would arise from these commitments and, accordingly, it did not recognise any provision in the annual accounts in connection to this.

4.4 SAREB

The Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB) is, according to the seventh additional of Law 9/2012, of 14 November, a corporation with specific term, available until November 2027.

Its sole object is the holding, management, direct or indirect administration, acquisition and disposal of the assets transferred to it by the credit institutions that are participated by the FROB or that, in the opinion of the Bank of Spain, will require the initiation of a restructuring or resolution process as provided for in Law 9/2012.

SAREB's capital amounts to EUR 4,800 million (8% of the total volume of assets), of which EUR 1,200 million relate to share capital and EUR 3,600 million relate to two issues of non-guaranteed, contingently convertible subordinated debt subscribed by the shareholders. The FROB holds 45.16% of SAREB's share capital.

The main characteristics of the two subordinated debt issues are: (i) interest rate of 8%, subject to obtaining sufficient distributable profits, (ii) conversion, with fixed ratio of EUR 1 share for every EUR 1 obligation, at the discretion of the SAREB, in case of accumulated losses that exceed the amount of capital plus reserves or reducing equity at less than half of the share capital, (iii) maturing in 2027 with possibility of early redemption by the issuer from the fifth year if equity accounts for at least 9% of assets and LTV <80%.

Article 48 of Royal Decree 1559/2012 establishes the categories of assets to be transferred by the entities. The assets of the entities classified in Group 1 (BFA-Bankia, CatalunyaBanc, Novagalicia Banco and Banco Valencia) were transferred on 31 December 2012, and the assets of the Group 2 entities (Liberbank, BMN, CEISS and Caja3) were transferred on 28 February 2013, for a total price of EUR 50,781 million.

The transfer payment was made through the delivery of six issuances of senior debt launched by SAREB with an irrevocable guarantee from the State, a nominal value of EUR 100,000 each, maturing in one, two and three years. The interest rate is three-month Euribor plus a spread. They include the possibility of total or partial redemption through the issuance of new bonds.

5. EVENTS AFTER THE REPORTING DATE AND OUTLOOK FOR 2014

The main events that took place in the period from the reporting date to the date on which these annual accounts were authorised for issue were as follows:

- Agreed by the Executive Committee of the Bank of Spain, at its meeting on 14 January 2014, the opening of the resolution process of Caja Rural de Mota del Cuervo, Sociedad Cooperativa de Crédito de Castilla-La Mancha, with the substitution of its Governing Committee naming the FROB as provisional administrator. The FROB also approved the economic and asset values of the entity and the start of the competitive sales process by emergency procedure.

  As a result of this process, on the same date, the Governing Committee of the FROB agreed to order the transmission of all capital contributions of Caja Rural de Mota del Cuervo, Sociedad Cooperativa de Crédito de Castilla-La Mancha to Caja Rural de Albacete, Ciudad Real y Cuenca, Sociedad Cooperativa de Crédito (Globalcaja), for a total amount of EUR 1,275,800 plus expenses incurred by the FROB in the sale process without having involved any financial support from the FROB.

- The Executive Committee of the Bank of Spain, at its meeting on 17 January 2014, agreed, in order to complete the resolution plan of NCG Banco, SA, to replace the Board of Directors and appoint the FROB as administrator of the entity.

- Under the framework of the performance protocol prior to the exercise of legal proceedings in relation to the restructuring and resolution of credit institutions, the FROB agreed to promote the executions of 90 "Forensic" analysis to determine any liability of directors and officers of the aforementioned entities, and also third party beneficiaries of the same.

- On 25 February 2014 it was conducted the sale of tha BFA's investment in Bankia, S.A. of 7.5% of the entity's capital at a price of EUR 1.51 per share. After this operation, the investment of BFA in Bankia has been reduced from 68.39% to 60.89%. Note that the operation has not required any commitment or guarantee by the FROB.

- The FROB, also, acting in its interests as a holder of Cocos of Banco Ceiss, has provided an additional guarantee of EUR 241 million that covers 71% of the expenses and costs of potential litigation resulting from such holders not acceptors of Unicaja's offer.

- With regard to Catalunya Banc, S.A. on 2 June 2014, the Governing Committee of the FROB agreed the start of the auction process of the entity. This process will run in line with the sale of a portfolio of mortgage loans initiated by the entity.

- Regarding the FROB's outstanding issues, in February 2014 there has been a bonus amortization amounting to EUR 3,000 million. Accordingly, the nominal amount of issues is as follows:

ISINcode	Maturity	Nominal Amount
ES0302761004	19/11/2014	EUR 3,290 million
ES0302761020	12/07/2016	EUR 2,505 million
TOTAL		**EUR 5,795 million**

- The credit rating of FROB's issues to the date of preparation of the annual accounts is as follows: Baa2 by Moody's, BBB by Standard & Poor's and BBB+ by Fitch.

- Regarding the borrowing limit of the FROB, the State Budget for 2014 has set a limit of EUR 63,500 million. Given that the outstanding balance of issues currently amounts to EUR 5,795 million and the received loan for the recapitalization of the banks, after conversion done, is EUR 14,163 million, FROB's issuing capacity is EUR 43,542 million.

- Lastly, the amounts for interest on the CoCo's signed by the FROB of Liberbank, Banco Caja 3 and Banco Ceiss have been collected.

For the future, the actions concerning banking resolution will be marked by two key regulatory factors, the entry into force of Bank Recovery and Resolution Directive and the implementation of the Single Resolution Mechanism (SRM).

These regulatory changes will mean challenges for the operation of the FROB.

Bank Recovery and Resolution Directive, transposition date on 1 January 2015, introduces new elements not yet covered under the Spanish resolution framework. In particular, the Directive provides the generalization of the preventive phase of resolution, which is that all banks must have a recovery and resolution plans providing for what to do if they come into difficulties. Specifically, the recovery plan should be developed by the entity and approved by the supervisor, and shall include measures that the entity would take in case of facing financial difficulties. The resolution plan, meanwhile, refers to a prevention of a more acute crisis in which the entity's resolution is necessary. That plan, which shall be worked out by the resolution authority, provides the tools and measures to be applied in that case. It shall also include an analysis of "resolubility" to examine the obstacles to an eventual resolution of the institution and may lead that the entity be required to remove them. The Directive extends the requirement for allocating losses to the private sector (to bail-in) to be extended to senior liabilities.

The second major regulatory change in the resolution follows on from what is the launch of the Single Resolution Mechanism that involves the creation of a single resolution authority within the Banking Union (from 2015) and a single resolution fund (from 2016). The new single resolution authority will be directly responsible for planning the resolution of major banks as well as to design effective resolution schemes, but it will act, in any case, in close coordination with national resolution authorities. Therefore, in the new framework it will be required an intensive coordination between national resolution authorities, single resolution authority and supervisors. This is an operational challenge but has the great added value of ensuring that, throughout their area of operation, the implementation of the resolution will be similar, thus ensuring the same application of the game rules. The other great pillar of this unique mechanism is the pooling of national resolution funds, to be funded by the financial sector in a similar way to how the Deposit Guarantee Fund is financed.

6. OTHER DISCLOSURES

No research and development activities were performed in 2013.

Also, the Equity Fund does not comprise shares purchasable by the FROB and, accordingly, there are no treasury shares.

Fondo de Reestructuración Ordenada Bancaria

The undersigned, Director General of the Fondo de Reestructuración Ordenada Bancaria, authorises for issue on 20 June 2014 these Annual Accounts of the Fondo de Reestructuración Ordenada Bancaria for the year ended 31 December 2013 and the Directors' Report for 2013, which are printed on the accompanying 68 pages, duly countersigned by me for the purpose of their identification, and which will be submitted for approval by the Governing Committee.

Signed: Antonio Carrascosa
Director General of the Fondo de Reestructuración Ordenada Bancaria